

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.



**\$14,000,000**  
**BURBANK PUBLIC FINANCING AUTHORITY**  
**Revenue Bonds, 2002 Series A**

**(Redevelopment Agency of the City of Burbank—West Olive Redevelopment Project)**

**Dated: Date of Delivery**

**Due: December 1, as shown below**

The Burbank Public Financing Authority (the "Authority") is issuing its Revenue Bonds, 2002 Series A (Redevelopment Agency of the City of Burbank—West Olive Redevelopment Project) (the "Bonds"), pursuant to the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, an Indenture of Trust, dated as of October 1, 2002 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"), and a resolution of the Authority adopted on July 23, 2002.

The Bonds will be issued and delivered as fully registered bonds without coupons, and when delivered, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Payment of principal of and interest on the Bonds will be paid by the Trustee to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to beneficial owners of the Bonds as described herein. See APPENDIX F—"BOOK-ENTRY ONLY SYSTEM." Interest on the Bonds is payable semiannually on each June 1 and December 1, commencing December 1, 2002.

The proceeds of the Bonds will be loaned to the Redevelopment Agency of the City of Burbank (the "Agency") pursuant to a Loan Agreement, dated as of October 1, 2002 (the "Loan Agreement"), by and among the Agency, the Authority and the Trustee, to be used to (i) finance redevelopment activities in the Agency's West Olive Redevelopment Project Area (the "Project Area"), (ii) fund a debt service reserve fund for the Bonds, and (iii) to pay certain costs of issuance incurred in connection with the Bonds. See "PLAN OF FINANCE" herein.

The Bonds are special obligations of the Authority payable from and secured by loan payments made by the Agency under the Loan Agreement and from amounts on deposit in the funds and accounts established under the Indenture (collectively, the "Revenues"). Except for the Revenues, no funds or properties of the Authority are pledged to, or otherwise liable for, the principal of, premium (if any) or interest on the Bonds.

The Loan Agreement is secured by Tax Revenues (as defined herein), consisting generally of the tax increment revenues of the Project Area. For a description of the security for the Bonds and the Loan Agreement, see "SECURITY FOR THE BONDS AND THE LOAN" herein and APPENDIX A—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

The Bonds are subject to redemption prior to maturity under certain conditions. See "THE BONDS—Optional Redemption" and "—Sinking Account Redemption" herein.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds.

**Ambac**

Neither the Bonds nor the obligations of the Agency under the Loan Agreement is a debt of the City, the State of California (the "State") or any political subdivision thereof (other than the Authority and the Agency, respectively) and neither the City, the State nor any political subdivision thereof (other than the Authority and the Agency, respectively) are liable for the Bonds or the obligations of the Agency under the Loan Agreement. The Bonds do not constitute an indebtedness in violation of any constitutional or statutory debt limitation or restriction. Neither the members of the Authority, the City, the Agency nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

**MATURITY SCHEDULE**

**\$7,130,000 Serial Bonds**

<b>Maturity December 1</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price or Yield</b>	<b>Maturity December 1</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>
2003	\$380,000	5.00 %	1.20 %	2011	\$480,000	3.00 %	3.05%
2004	400,000	5.00	1.25	2012	495,000	3.10	3.20
2005	400,000	2.00	1.40	2013	510,000	3.125	3.30
2006	425,000	3.00	1.65	2014	530,000	3.375	3.50
2007	435,000	2.00	1.00	2015	545,000	3.60	3.70
2008	445,000	2.25	2.35	2016	570,000	3.70	3.85
2009	455,000	2.375	2.50	2017	590,000	3.90	4.00
2010	470,000	2.75	2.875				

**\$3,430,000 5.125% Term Bonds maturing December 1, 2022—Price: 106.305%, to Yield 4.35%**

**\$3,440,000 5.00% Term Bonds maturing December 1, 2026—Price: 103.541%, to Yield 4.56%**

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel, and subject to certain other conditions. Certain matters will be passed upon for the Authority and the Agency by Dennis A. Barlow, Esq., City Attorney. Certain matters will be passed upon by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about October 2, 2002.

**E. J. DE LA ROSA & CO., INC.**

INVESTMENT BANKERS

No dealer, broker, salesperson or other person has been authorized by the Authority or the Agency to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation may not be relied upon as having been authorized by the Authority or the Agency. This Official Statement does not constitute an offer to sell or a solicitation or an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein has been obtained from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Authority or the Agency since the date hereof.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the Agency's forecasts in any way, regardless of the level of optimism communicated in the information. The Agency is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. See "CONTINUING DISCLOSURE" herein.

In connection with this offering the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

In accordance with its responsibilities under the federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon the exemption contained in Section 3(a)(2) of such Act. The Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exemption contained in such Act.

**BURBANK PUBLIC FINANCING AUTHORITY  
REDEVELOPMENT AGENCY OF THE CITY OF BURBANK  
CITY OF BURBANK**

**AUTHORITY BOARD/AGENCY BOARD/CITY COUNCIL**

David Laurell, *Chairman/Chairman/Mayor*  
Stacey Murphy, *Vice Chairman/Vice Chairman/Vice Mayor*  
Dave Golonski, *Board Member/Board Member/Council Member*  
Marsha Ramos, *Board Member/Board Member/Council Member*  
Jef Vander Borgh, *Board Member/Board Member/Council Member*

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**AUTHORITY/AGENCY/CITY OFFICIALS**

Robert R. "Bud" Ovrom, *Authority Executive Director/Agency Executive Director/City Manager*  
Mary Alvord, *Authority Assistant Executive Director/Agency Assistant Executive Director/Assistant City Manager*  
Donna Anderson, *Authority Treasurer/Agency Treasurer/City Treasurer*  
Derek Hanway, *Financial Services Director*  
Robert Elliot, *Assistant Financial Services Director*  
Susan Georgino, *Community Development Director*  
Susan Evans, *Assistant Community Development Director—Housing and Redevelopment*  
Maribel Frausto, *Redevelopment Project Manager*  
Greg Herrmann, *Assistant Community Development Director—Transportation*  
Margarita Campos, *Authority Secretary/Agency Secretary/City Clerk*  
Dennis A. Barlow, *Authority General Counsel/Agency General Counsel/City Attorney*

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**PROFESSIONAL SERVICES**

*Bond Counsel and Disclosure Counsel*

Quint & Thimmig LLP  
San Francisco, California

*Financial Advisor*

Ross Financial  
San Francisco, California

*Trustee*

Wells Fargo Bank, National Association  
Los Angeles, California

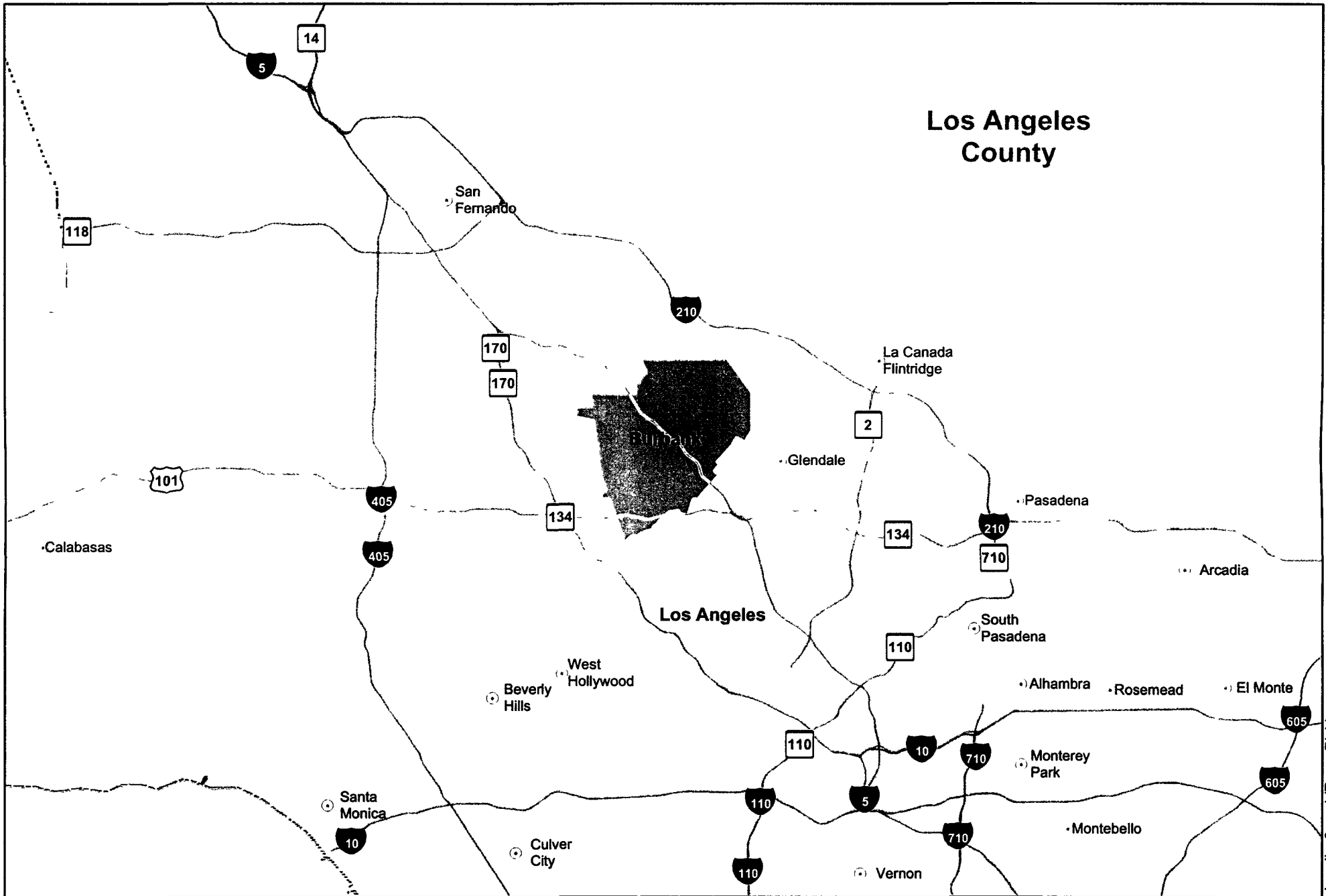
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City of Burbank  
275 East Olive Avenue  
Burbank, California 91502  
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# Regional Map

5 Miles



## **OFFICIAL STATEMENT**

**\$14,000,000**

### **BURBANK PUBLIC FINANCING AUTHORITY**

**Revenue Bonds, 2002 Series A**

**(Redevelopment Agency of the City of Burbank-West Olive Redevelopment Project)**

## **INTRODUCTION**

### **General**

This Official Statement, including the cover page and the attached appendices, provides information regarding the Redevelopment Agency of the City of Burbank (the "Agency") and the issuance by the Burbank Public Financing Authority (the "Authority") of its \$14,000,000 aggregate principal amount of Revenue Bonds, 2002 Series A (Redevelopment Agency of the City of Burbank-West Olive Redevelopment Project) (the "Bonds").

### **Definitions and Summaries**

Definitions of certain terms used in this Official Statement are set forth in APPENDIX A—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Definitions." This Official Statement contains brief descriptions of, among other things, the Bonds, the Indenture, the Loan Agreement, the Authority, the Agency and the Project Area. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to those documents, and references to the Bonds are qualified in their entirety by reference to the form of Bond included in the Indenture. Copies of the Indenture, the Loan Agreement and other documents described in this Official Statement may be obtained from the Trustee.

### **The City**

The City is located in the greater metropolitan Los Angeles area, approximately twelve miles northeast of downtown Los Angeles. The City was incorporated as a general law city on July 8, 1911, and adopted its city charter on January 13, 1927. The City's population as of January 1, 2002, is estimated to be 102,835. The City provides its residents with electric, water, sewer and refuse collection utilities and operates its own police and fire departments. See APPENDIX B—"CITY OF BURBANK ECONOMIC AND FINANCIAL INFORMATION."

### **The Authority**

The Authority was formed under a Joint Exercise of Powers Agreement, dated March 16, 1993, by and between the City and the Agency. See "THE BURBANK PUBLIC FINANCING AUTHORITY" herein.

The Authority was created to provide financing for public capital improvements for the City and the Agency pursuant to Articles 1 through 4, Chapter 5, Division 7, Title 1 of the California Government Code (the "Act"). Under the Act, the Authority has the power to issue bonds to pay the cost of any public capital improvement.

## **The Agency**

The Agency was activated by the City Council of the City in 1970 under the California Community Redevelopment Law, constituting Part 1, Division 24 (commencing with section 33000) of the California Health and Safety Code (the "Redevelopment Law"), with the adoption of Ordinance No. 2269. The five members of the City Council serve as the governing body of the Agency, and exercise all rights, powers, duties and privileges of the Agency. The Mayor serves as Chair of the Agency. See "THE REDEVELOPMENT AGENCY OF THE CITY OF BURBANK" herein.

The Agency adopted a redevelopment plan (the "Redevelopment Plan") for the West Olive Redevelopment Project Area (the "Project Area"), as described in such Redevelopment Plan, on December 21, 1976, by adoption of Ordinance No. 2590, as amended by Ordinance No. 3388, to comply with the requirements imposed on the Agency by the passage of AB 1290, adopted by the City Council of the City on October 11, 1994, and as further amended by Ordinance No. 3582 adopted by the City Council of the City on June 26, 2001. The Project Area consists of approximately 128 acres or approximately 1.2 percent of the land area of the City. The total assessed valuation of taxable property in the Project Area in fiscal year 2001-2002 is approximately \$503,852,745, or approximately .47 percent of the total assessed valuation of the City, with approximately \$454,223,745 of such total assessed valuation of taxable property in the Project Area representing incremental assessed value in excess of the adjusted assessed valuation in the Base Year of \$49,359,000. See "THE PROJECT AREA" herein.

## **Authority for Issuance**

The Bonds are being issued pursuant to the Constitution and the laws of the State of California (the "State"), including Article 4, Chapter 5, Division 7, Title 1 (commencing with section 6500) of the California Government Code (the "Bond Law") and resolutions of the Authority adopted on July 23, 2002.

The Bonds will be issued under an Indenture of Trust, dated as of October 1, 2002 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee").

## **The Bonds and the Loan Agreement**

The Authority will use the proceeds of the Bonds to fund a loan (the "Loan") to the Agency, the net proceeds of which will be used to assist the Agency in financing and refinancing redevelopment activities in the Project Area. The Authority will make the Loan to the Agency pursuant to a Loan Agreement, dated as of October 1, 2002 (the "Loan Agreement"), by and among the Authority, the Agency and the Trustee. The Agency will enter into the Loan Agreement pursuant to the Redevelopment Law.

The proceeds of the Bonds will be used to (a) finance redevelopment activities in and for the benefit of the Project Area, (b) fund a reserve fund for the Loan, and (c) pay the costs of issuance of the Bonds. See "PLAN OF FINANCE" herein.

## **Security for the Bonds and the Loan Agreement**

*Security for the Bonds.* The Bonds are limited obligations of the Authority payable solely from and secured primarily by loan repayments to be made by the Agency under the Loan Agreement and certain other amounts (collectively, the "Revenues").

*Security for the Loan Agreement.* The Agency's obligations under the Loan Agreement and any debt issued in the future on a parity basis are secured by a pledge of the "Tax Revenues," consisting generally of the tax increment revenues derived from the Project Area, not including amounts required to be set aside for low- and moderate-income housing purposes pursuant to the Redevelopment Law. See "SECURITY FOR THE BONDS AND THE LOAN."

*Events of Default.* An event of default on the Loan may result in insufficient Revenues with which to pay the principal of, premium (if any), and interest on the Bonds. See APPENDIX A—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—INDENTURE— Events of Default."

*Financial Guaranty Insurance Policy.* Payment of principal of and interest on the Bonds as the same shall become due will become secured by a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") to be issued simultaneously with the issuance of the Bonds by Ambac Assurance Corporation ( "Ambac Assurance"). See "FINANCIAL GUARANTY INSURANCE POLICY" herein and APPENDIX G—"SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY."

### **Tax Allocation Financing**

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a designated redevelopment project area. The redevelopment agency establishes the taxable valuation of a project area as last equalized before the adoption of the redevelopment plan, or base roll (the "Base Year Valuation"). Subsequently, the taxing agencies receive the taxes produced by the levy of the then-current tax rate upon the Base Year Valuation (except for any period during which the taxable valuation drops below the Base Year Valuation).

Taxes collected upon any increase in taxable valuation over the Base Year are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Such revenues are generally referred to herein and above as tax increment revenues. Twenty percent of such tax increment revenues allocated to a redevelopment agency are required to be set aside in a separate fund to develop and maintain low- and moderate-income housing. Redevelopment agencies themselves have no taxing power.

### **No Outstanding Parity or Senior Debt**

There are currently no outstanding bond issues or other obligations secured by a pledge of the Tax Revenues on a parity or senior basis to the obligations under the Loan Agreement. See "THE PROJECT AREA—Settlement Agreements" and "DEBT SERVICE COVERAGE" herein.

### **Continuing Disclosure**

The Agency has agreed to provide its audited financial statements and certain financial information and operating data to each nationally recognized municipal securities information repository, and notice of certain material events to the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5). See "CONTINUING DISCLOSURE" herein for a description of the specific nature of the annual report and notices of material events and a summary description of the terms of the disclosure agreement pursuant to which such reports are to be made. See APPENDIX E—"FORM OF THE CONTINUING DISCLOSURE CERTIFICATE" attached hereto.



## PLAN OF FINANCE

The proceeds of the Bonds will be loaned to the Agency pursuant to the Loan Agreement and will to be used to (i) finance redevelopment activities within and to the benefit of the Project Area, (ii) fund a reserve fund for the Bonds, and (iii) pay certain costs of issuance incurred in connection with the Bonds.

Proceeds of the Bonds deposited in the Redevelopment Fund are expected to be used to relocate an existing freeway off-ramp, and to relocate and upgrade a City-owned electrical distribution substation located at the southeastern corner of the intersection of Hollywood Way and Alameda Avenue. These two relocations will facilitate the subsequent construction by Caltrans of a new on-ramp to the westbound freeway at this location. Federal and State funding has been allocated to fully fund the new freeway access project, with the off-ramp and substation relocations being the local match contribution. The project is expected to begin in late fall of 2002 and is expected to be complete by December 2005.

In addition, to the extent funds are available, the funds may also be used for the various infrastructure improvements and public facilities projects as described in the approved and amended Plan.

## ESTIMATED SOURCES AND USES OF FUNDS

The following is a table of estimated sources and uses of funds with respect to the Bonds.

### Sources

Principal Amount of Bonds	\$14,000,000.00
Less. Underwriter's Discount	(126,000.00)
Plus: Net Original Issue Premium	<u>363,805.95</u>
TOTAL SOURCES	<u>\$14,237,805.95</u>

### Uses

Deposit to Redevelopment Fund	\$12,830,000.00
Deposit to Reserve Fund (1)	951,540.00
Deposit to Costs of Issuance Fund (2)	<u>456,265.95</u>
TOTAL USES	<u>\$14,237,805.95</u>

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(1) Represents the Reserve Fund Requirement

(2) Amounts in the Costs of Issuance Fund will be used to pay costs of issuance of the Bonds including legal fees, rating agency fees, Financial Guaranty Insurance premiums, printing costs and other miscellaneous expenses

## ANNUAL DEBT SERVICE REQUIREMENTS OF THE BONDS

The following table provides annual debt service requirements of the Bonds based on the interest rates and term structure set forth on the cover page hereof, assuming no redemptions of the Bonds.

<u>Bond Year Ending December 1</u>	<u>Principal</u>	<u>Sinking Fund Installment</u>	<u>Interest</u>	<u>Total Debt Service</u>
2002	—	—	\$ 94,608.34	\$ 94,608.34
2003	\$380,000	—	577,271.25	957,271.25
2004	400,000	—	558,271.25	958,271.25
2005	400,000	—	538,271.25	938,271.25
2006	425,000	—	530,271.25	955,271.25
2007	435,000	—	517,521.25	952,521.25
2008	445,000	—	508,821.25	953,821.25
2009	455,000	—	498,808.75	953,808.75
2010	470,000	—	488,002.50	958,002.50
2011	480,000	—	475,077.50	955,077.50
2012	495,000	—	460,677.50	955,677.50
2013	510,000	—	445,332.50	955,332.50
2014	530,000	—	429,395.00	959,395.00
2015	545,000	—	411,507.50	956,507.50
2016	570,000	—	391,887.50	961,887.50
2017	590,000	—	370,797.50	960,797.50
2018	—	\$615,000	347,787.50	962,787.50
2019	—	650,000	316,268.75	966,268.75
2020	—	685,000	282,956.25	967,956.25
2021	—	720,000	247,850.00	967,850.00
2022	760,000	—	210,950.00	970,950.00
2023	—	795,000	172,000.00	967,000.00
2024	—	840,000	132,250.00	972,250.00
2025	—	880,000	90,250.00	970,250.00
2026	925,000	—	46,250.00	971,250.00

## THE BURBANK PUBLIC FINANCING AUTHORITY

The Burbank Public Financing Authority was established pursuant to a Joint Exercise of Powers Agreement dated March 16, 1993, by and between the City and the Agency in accordance with the provisions of the Act. The Authority was created to provide financing for public capital improvements for the City and the Agency. Under the Act, the Authority has the power to issue bonds to pay the cost of any public capital improvement.

## THE BONDS

### Description

The Bonds will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. The Bonds will be issued only as one fully registered Bond for each maturity, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New

York ("DTC"), as registered owner of all of the Bonds. See APPENDIX F—"BOOK-ENTRY ONLY SYSTEM." Ownership may be changed only upon the registration books maintained by the Trustee as provided in the Indenture. The Bonds will mature on the dates and in the amounts, and will bear interest (calculated on the basis of a 360 day year comprised of twelve 30-day months) at the rates, set forth on the front cover of this Official Statement. Interest on the Bonds will be payable semiannually on each June 1 and December 1, commencing December 1, 2002 (each an "Interest Payment Date").

Each Bond will be dated as of its date of delivery and will bear interest from such date. Interest will be paid to the person whose name appears on the Registration Books as of the Record Date immediately preceding each Interest Payment Date, by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owner his or her address as it appears on the Registration Books as of the preceding Record Date (i.e., with respect to any Interest Payment Date, the fifteenth calendar day of the month immediately preceding such Interest Payment Date). Payment of interest may be by wire transfer to an account in the United States of America to any Owner of Bonds in the aggregate amount of \$1,000,000 or more who has furnished written instructions to the Trustee before the applicable Record Date.

### Redemption

*Optional Redemption.* The Bonds maturing on or after December 1, 2013, are subject to redemption, at the option of the Authority, prior to maturity on any date on or after December 1, 2012, as a whole, or in part by such maturity or maturities as directed by the Agency (or in the absence of such direction, pro rata by maturity) and by lot within a maturity, from prepayments of the Loan made at the option of the Agency under the Loan Agreement at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest to the date of redemption, without premium.

#### *Sinking Account Redemption.*

**Bonds Maturing on December 1, 2022.** The Bonds maturing on December 1, 2022 (the "2022 Term Bonds"), are subject to mandatory sinking fund redemption in part by lot on December 1, 2018, and on December 1 in each subsequent year to and including December 1, 2022. Redemption will be made from Sinking Account payments made by the Authority under the Indenture at a redemption price equal to the principal amount to be redeemed together with accrued interest to the redemption date, without premium, in the aggregate principal amounts and on the dates as set forth in the following table. (In lieu of redemption, the 2022 Term Bonds may be purchased in whole or in part by the Authority. See "Purchase of Term Bonds In Lieu of Redemption" below.)

Sinking Fund Account Redemption Date (December 1)	Sinking Fund Installments Redeemed or Purchased
2018	\$615,000
2019	650,000
2020	685,000
2021	720,000
2022†	760,000

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†Maturity

If some but not all of the 2022 Term Bonds have been optionally redeemed, the total amount of all future Sinking Account payments set forth above will be reduced by the combined principal amount of

2022 Term Bonds optionally redeemed, to be allocated among the above Sinking Account payments as are subsequently payable on a pro rata basis in integral multiples of \$5,000 as determined by the Authority.

**Bonds Maturing on December 1, 2026.** The Bonds maturing on December 1, 2026 (the "2026 Term Bonds" and, with the 2022 Term Bonds, the "Term Bonds"), are subject to mandatory sinking fund redemption in part by lot on December 1, 2023, and on December 1 in each subsequent year to and including December 1, 2026. Redemption will be made from Sinking Account payments made by the Authority under the Indenture at a redemption price equal to the principal amount to be redeemed together with accrued interest to the redemption date, without premium, in the aggregate principal amounts and on the dates as set forth in the following table. (In lieu of redemption, 2026 Term Bonds may be purchased in whole or in part by the Authority. See "Purchase of Term Bonds In Lieu of Redemption" below.)

Sinking Fund Account Redemption Date (December 1)	Sinking Fund Installments <u>Redeemed or Purchased</u>
2023	\$795,000
2024	840,000
2025	880,000
2026†	925,000

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†Maturity

If some but not all of the 2026 Term Bonds have been optionally redeemed, the total amount of all future Sinking Account payments set forth above will be reduced by the combined principal amount of 2026 Term Bonds optionally redeemed, to be allocated among the above Sinking Account payments as are subsequently payable on a pro rata basis in integral multiples of \$5,000 as determined by the Authority.

*Purchase of Term Bonds In Lieu of Redemption.* In lieu of mandatory sinking fund redemption of Term Bonds, the Trustee may also use and withdraw amounts on deposit as Sinking Account payments at the written direction of the Authority, at any time, for the purchase of Term Bonds otherwise required to be redeemed on the following December 1. Purchase may be made at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Authority may in its discretion determine. The par amount of any of the Term Bonds so purchased by the Authority and surrendered to the Trustee for cancellation in any twelve-month period ending on December 1 in any year will be credited towards and will reduce the par amount of the Term Bonds otherwise required to be redeemed on the following December 1.

*Notice of Redemption.* The Trustee, on behalf and at the expense of the Authority, will mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to one or more Information Services, at least 30 but not more than 60 days prior to the date fixed for redemption. However, the validity of the proceedings for the redemption of Bonds and the cessation of the accrual of interest on Bonds called for redemption will not be affected by either the failure to receive any redemption notice so mailed or any defect in any redemption notice.

The Trustee will not mail notice of redemption of Bonds as described above unless (i) there is then on deposit in the Principal Account all amounts required to pay the principal of and redemption premium

(if any) on Bonds called for redemption, or (ii) all amounts required to pay the principal of and redemption premium (if any) on Bonds called for redemption are to be paid with the proceeds of refunding bonds.

*Other Redemption Provisions.* If only a portion of any Bond is called for redemption, then upon surrender of that Bond the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same maturity date of authorized denominations in aggregate principal amount or maturity amount, as applicable, equal to the unredeemed portion of the Bonds to be redeemed.

From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds called for redemption have been provided, those Bonds will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue on those Bonds from and after the redemption date specified in such notice.

Whenever any Bonds or portions of Bonds are to be selected for redemption by lot, the Trustee will make such selection, in such manner as the Trustee deems fair and appropriate.

## SECURITY FOR THE BONDS AND THE LOAN

### Security for the Bonds

Subject only to the payment and reimbursement of the fees, charges and expenses of the Trustee, as provided in the Indenture, the Bonds are secured by a first lien and pledge of all of the Revenues, as defined below.

The Bonds are equally secured by a pledge, charge and lien upon the Revenues and the moneys in these accounts without preference or priority; and the payment of the interest on and principal of the Bonds and any redemption premiums are secured by an exclusive pledge, charge and lien upon the Revenues and the moneys in these accounts. So long as any Bonds are outstanding, the Revenues and the moneys in these accounts may not be used for any other purpose except that certain sums may be apportioned out of the Revenues for the purposes expressly permitted under the Indenture.

The term "Revenues" means: (a) all amounts payable by the Agency pursuant to the Loan Agreement, derived from Tax Revenues, (b) any proceeds of Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture, (c) investment income held by the Trustee in those funds and accounts, and (d) any other investment income received under the Indenture.

NEITHER THE BONDS NOR THE OBLIGATIONS OF THE AGENCY UNDER THE LOAN AGREEMENT ARE A DEBT OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY AND THE AGENCY, RESPECTIVELY) AND NEITHER THE CITY, THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY AND THE AGENCY, RESPECTIVELY) IS LIABLE THEREFOR. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AUTHORITY, THE CITY, THE AGENCY NOR ANY PERSONS EXECUTING

THE BONDS ARE LIABLE PERSONALLY ON THE BONDS BY REASON OF THEIR ISSUANCE. NEITHER THE AUTHORITY NOR THE AGENCY HAS TAXING POWER.

### Security for the Loan

The Agency's obligations under the Loan Agreement and any debt issued on a parity with the Loan Agreement are secured, on a co-equal basis by a pledge of, security interest in and lien on all of the Tax Revenues, without preference or priority. There are currently no outstanding bond issues or other obligations secured by a pledge of the Tax Revenues on a parity or senior basis to the obligations under the Loan Agreement. However, the Agency is obligated to make certain payments on a subordinated basis.

The term "Tax Revenues" is defined as follows: all taxes annually allocated and paid to the Agency with respect to the Project Area pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State including (a) all payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, and (b) all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to Section 33334.3 of the Redevelopment Law, to the extent permitted to be applied to the payment of principal, interest and premium (if any) with respect to the Bonds and any Parity Debt; but excluding (i) amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to section 33334.3 of the Redevelopment Law for increasing and improving the supply of low and moderate income housing to the extent not permitted to be applied to the payment of principal, interest and premium (if any) with respect to the Bonds and/or any Parity Debt, (ii) statutory pass-through obligations (if any), which constitute amounts payable by the Agency to affected taxing entities, except and to the extent such amounts so payable are payable on a basis subordinate to the payment of the Bonds and any Parity Debt, (iii) the Business Inventory Tax Subvention, and (iv) amounts payable by the Agency under the Settlement Agreements.

### Tax Revenues

*Allocation of Taxes.* As provided in the Redevelopment Plan, and under Article 6 of Chapter 6 of the Redevelopment Law, and Section 16 of Article XVI of the Constitution of the State, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State, for cities, counties, districts or other public corporations (collectively, the "Taxing Agencies"), for fiscal years beginning after the effective date of the Redevelopment Plan, will be divided as follows:

1. To Taxing Agencies: The portion of the taxes that would be produced by the rate upon which the tax is levied each year by or for each of the Taxing Agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such Taxing Agency last equalized before the establishment of the Project Area will be allocated to, and when collected will be paid into the funds of, the respective Taxing Agencies as taxes by or for those Taxing Agencies.

2. To the Agency: The portion of such levied taxes each year in excess of such amount will be allocated to, and when collected will be paid into a special fund of, the Agency to the extent necessary to pay indebtedness of the Agency, including but not limited to its obligation on the Loan, to pay the principal of, prepayment premium (if any) and interest on the Loan and to replenish the Reserve Fund established for the Bonds. Tax Revenues generally consist of a portion of such allocation of revenues to the Agency.

*Possible Limitations on Tax Revenues.* The Authority and the Agency have no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to Taxing Agencies may have the effect of reducing the amount of Tax Revenues that would otherwise be available to pay the Agency's obligations and thus reduce the amount of Revenues available to pay the principal of, premium (if any) and interest on the Bonds. Likewise, broadened property tax exemptions or reduced tax rates could have a similar effect. See "RISK FACTORS" and "LIMITATIONS ON TAX REVENUES."

### **Reserve Fund**

The Loan Agreement establishes a reserve fund (the "Reserve Fund") to be held by the Trustee for the benefit of the Authority and the Owners of the Bonds. The amount on deposit in the Reserve Fund is required to be maintained at its Reserve Requirement at all times prior to the payment of the Loan in full. Under the Loan Agreement, the Reserve Requirement is defined as to mean as of any calculation date, an amount equal to Maximum Annual Debt Service (as defined under the Indenture). The Reserve Requirement as of the date of delivery of the Bonds is \$951,540. Under the Loan Agreement, the Agency reserves the right, with respect to all or any portion of the Reserve Requirement, to substitute, at any time, one or more Qualified Credit Instruments for cash or any other Qualified Credit Instrument then on deposit in the Reserve Fund. See APPENDIX A—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Loan Agreement" and "—Definitions."

### **No Outstanding Parity or Senior Debt**

There are currently no outstanding bond issues or other obligations secured by a pledge of the Tax Revenues on a parity or senior basis to the obligations under the Loan Agreement.

### **Issuance of Additional Parity Debt**

The Loan Agreement provides that the Agency may incur additional indebtedness ("Parity Debt") secured on a parity with the Loan made under the Loan Agreement if certain conditions have been satisfied. One of these conditions is that the Tax Revenues received or to be received for the then current fiscal year, exclusive of State subventions, shall be at least equal to 125% of Maximum Annual Debt Service on the Loan and the Parity Debt which will be outstanding immediately following the issuance of such Parity Debt. See APPENDIX A—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LOAN AGREEMENT—Parity Debt."

The Authority has covenanted in the Indenture that it will not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues (as defined in the Indenture) and other assets pledged or assigned under the Indenture while any of the Bonds secured by the Indenture are outstanding, except the pledge and assignment created by the Indenture. See APPENDIX A—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—INDENTURE—Certain Covenants."

## Annual Review of Tax Revenues

In order to assure that the aggregate amount of Tax Revenues which may be divided and allocated to the Agency pursuant to the Redevelopment Plan is not reached prior to the final maturity of the Bonds, the Agency shall annually, at the end of each Fiscal Year, compare the cumulative Tax Revenues received through the end of such Fiscal Year to the amount for such Fiscal Year set forth in following table:

<u>Fiscal Year</u>	<u>Cumulative Tax Revenues</u>	<u>Fiscal Year</u>	<u>Cumulative Tax Revenues</u>
2003	\$22,693,787.00	2016	\$40,708,229.31
2004	23,921,734.21	2017	42,294,478.57
2005	25,174,104.94	2018	43,912,277.86
2006	26,451,384.95	2019	45,562,254.71
2007	27,754,069.70	2020	47,245,049.12
2008	29,082,664.47	2021	48,961,313.83
2009	30,437,684.60	2022	50,711,714.54
2010	31,819,655.70	2023	52,496,930.22
2011	33,229,113.79	2024	54,317,653.32
2012	34,666,605.61	2025	56,174,590.08
2013	36,132,688.71	2026	58,068,460.77
2014	37,627,931.79	2027	60,000,000.00
2015	39,152,914.81		

If the cumulative Tax Revenues received through the end of such Fiscal Year are less than the amount set forth in such table, the Agency may either (1) apply such excess to the amount set forth in the table for the next succeeding Fiscal Year, or (2) cause the Trustee to release an equal amount from the moneys held by the Trustee in the Defeasance Escrow Account (hereinafter defined) if any.

If the cumulative Tax Revenues received through the end of such Fiscal Year exceed the amount set forth in such table as adjusted by any excess as set forth above, the Agency shall cause such excess amount to be deposited in a Trustee-held escrow account (the "Defeasance Escrow Account"), for investment in Defeasance Obligations. Amounts in the Defeasance Escrow Account, unless released as set forth above, shall only be used to prepay Bonds or pay scheduled debt service on the Bonds. At such time as amounts on deposit in the Defeasance Escrow Account are sufficient to redeem all outstanding Bonds, including accrued interest thereon, such amounts shall be applied, on the next succeeding date on which Bonds can be redeemed without premium, to the optional redemption thereof. No further deposits to the Defeasance Escrow Account shall be required when the Defeasance Obligations therein are sufficient to pay all remaining debt service on the Bonds. Interest earnings on amounts on deposit in the Defeasance Escrow Account shall be transferred, as received, to the Agency to be used for any legal purpose of the Agency.

## FINANCIAL GUARANTY INSURANCE

*The full text of a specimen Financial Guaranty Insurance Policy is set forth in Appendix G hereto.*

*The information relating to Ambac Assurance contained below and in Appendix G have been furnished by Ambac Assurance. No representation is made herein by the Authority or the Agency as to the accuracy or the adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.*



## Payment Pursuant to the Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue the Financial Guaranty Insurance Policy effective as of the date of issuance of the Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee"), that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to an Owner by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of the Trustee.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Owner's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering Owner's rights to payment.

In the event that Ambac Assurance were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

### **Ambac Assurance Corporation**

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately \$5,587,000,000 (unaudited) and statutory capital of approximately \$3,453,000,000 (unaudited) as of June 30, 2002. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Bonds.

### **Available Information**

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19<sup>th</sup> Floor, New York, New York 10004 and (212) 668-0340.

### **Incorporation of Certain Documents by Reference**

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Current Report on Form 8-K dated January 23, 2002 and filed on January 25, 2002;
2. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and filed on March 26, 2002;

3. The Company's Current Report on Form 8-K dated April 17, 2002 and filed on April 18, 2002;
4. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2002 and filed on May 13, 2002;
5. The Company's Current Report on Form 8-K dated July 17, 2002 and filed on July 19, 2002;
6. The Company's Current Report on Form 8-K dated August 14, 2002 and filed on August 14, 2002; and
7. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2002 and filed on August 14, 2002.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

## THE REDEVELOPMENT AGENCY OF THE CITY OF BURBANK

### Authority and Management

The Agency was activated by the City Council of the City in 1970 under the Redevelopment Law with the adoption of Ordinance No. 2269. The five members of the City Council serve as the governing body of the Agency, and exercise all rights, powers, duties and privileges of the Agency. The Mayor serves as Chair of the Agency.

The administrative officers of the Agency are as follows:

**Robert R. "Bud" Ovrom, Executive Director.** Mr. Ovrom began as City Manager of the City on June 10, 1985. His career in local government spans 32 years with over 25 years in the position of City Manager. Mr. Ovrom's most recent position, prior to coming to the City, was City Manager of the City of Downey from May 1983 to June 1985. Before this position, he served as the City Manager of Monrovia from February 1977 to May 1983 and was its Assistant City Manager from August 1974 until his appointment to City Manager. He began his local government career in Simi Valley in 1970 and worked his way up to Assistant to the City Manager there in 1973. Mr. Ovrom received his Bachelors Degree in Political Science from the University of California, Santa Barbara, and his Masters of Public Administration degree from the University of Southern California. His professional involvement includes serving as President of the San Gabriel Valley City Managers' Association, a member of the Board of Directors of the California Redevelopment Agencies Association from 1982 to 1991 and a member of the Executive Committee of the City Managers' Department of the League of California Cities.

**Derek Hanway, Financial Services Director.** Mr. Hanway began as Financial Services Director of the City in March 1997. Mr. Hanway's most recent position, prior to coming to the City, was Director of Finance of the City of Alhambra from June 1990 to March 1997. Before this position, he was a Senior Manager at KPMG Peat Marwick from 1978 to 1990. Mr. Hanway received his Bachelors of Science degree in Business Administration from Ambassador College and his Masters in Business Administration degree

with a Concentration in Accounting from California State University, Los Angeles. He is a Certified Public Accountant. His professional involvement includes American Institute of Certified Public Accountants, Governmental Finance Officers' Association of the United States and Canada, and California Society of Municipal Finance Officers (CSMFO). In 2000, he served as President of CSMFO and currently serves as co-chair of its California Committee on Municipal Accounting.

**Susan Georgino, Community Development Director.** Ms. Georgino began as Community Development Director of the Agency in 2001. Her responsibilities include the oversight of the six divisions that make up the Community Development Department which include Redevelopment, Economic Development, & Housing, Planning, Building, Administration, Transportation, and License & Code Services. Ms. Georgino's most recent position, prior to coming to the Agency, was Redevelopment Services Director of the City of Brea from 1989 to 2000. Before that position she served as Assistant Community Development Director of the Agency from 1988 to 1989, various other positions in the City from 1981 to 1988 and was Deputy Executive Director of the Maravilla Foundation from 1975 to 1981. Ms. Georgino received her Bachelor's Degree in Sociology and her Master's of Public Administration degree from California State University, Los Angeles, and her Master's of Theology degree from Mount Saint Mary College. Her professional involvement includes Board of Directors, California Redevelopment Association, Board of Directors, Southern California Housing Corporation, Member, Lambda Alpha International, Member, Counselors of Real Estate, and Member, California Economic Development Association.

**Susan Evans, Assistant Community Development Director–Housing and Redevelopment.** Ms. Evans directs the operations of the Agency and the City's Housing Authority which include the management of 30 staff members. She coordinates and administers the Agency's activities within four redevelopment projects, supervises real estate, economic development, and affordable housing programs (Section 8, HOME, Housing Set Aside), and Community Development Block Grants (CDBG). She was formerly the Redevelopment Manager for the City of Garden Grove and has also held Project Manager positions for the cities of West Covina and Huntington Beach. Her experience includes project management for hotel, office, retail and entertainment center development, downtown revitalization, and affordable housing development. She holds a professional license with the American Institute of Certified Planners (AICP), is a former Executive Board member for the National Association of Housing and Redevelopment Officials (NAHRO) and a current member of the California Redevelopment Association. Her professional activities have included workshop development for NAHRO and the American Planning Association (APA). She has also participated as a panelist for the CRA in various workshops including *Critical Elements of the DDA*, *Neighborhood Revitalization*, and *Urban Solutions to Downtown Social Problems*. She holds a Bachelor's degree in political science and a Master's degree in public administration.

### **Agency Powers and Duties**

All powers of the Agency are vested in its five members. Under the Redevelopment Law, the Agency is a separate public body and exercises governmental functions in executing duly adopted redevelopment projects. The Agency exercises all of the governmental functions authorized under the Redevelopment Law and has, among other powers, the authority to acquire, administer, develop and sell or lease property, including the right to acquire property through the power of eminent domain, and the right to issue bonds and expend the proceeds. The Agency itself does not have the power to levy taxes. The Agency can clear buildings and other improvements, can develop as a building site any real property owned or acquired, and in connection with such development can cause streets, highways and sidewalks to be constructed or reconstructed and public utilities to be installed.

The Agency can cause streets and highways to be laid out and graded, and pavements, sidewalks and public utilities to be constructed and installed and can develop as a building site any real property owned or acquired. With the exception of publicly owned structures and facilities benefiting the Project Area and affordable housing projects, the Agency itself cannot construct any buildings contemplated under the Redevelopment Plan, but must convey property in the Project Area by sale or lease, for private development in conformity with the Redevelopment Plan and within any time limit fixed by the Agency for the redevelopment to occur. The Agency may, out of any funds available to it for such purposes, pay for all or part of the value of land and the cost of buildings, facilities, structures or other improvements to be publicly owned and operated, to the extent that such improvements are of benefit to the Project Area, no other reasonable means of financing is available to the City, the improvements will assist in the elimination of one or more blighting conditions in the project area, and the improvements are consistent with an implementation plan that the Agency is required to adopt pursuant to the Redevelopment Law.

The Agency currently has designated four project areas, the highlights of which are as follows:

- *Golden State Project Area*—This project area, which encompasses approximately 1,100 acres, was adopted by the Burbank City Council in December 1970. The Plan was subsequently amended in January 1973 and in December 1986 to establish certain time limits and financial limits. It was last amended in October 1994 to establish certain time and financial limitations imposed by the passage of Assembly Bill 1290. The project area includes the Burbank-Glendale-Pasadena Airport and surrounding area adjacent to the Golden State Freeway. The numerous parcels that comprise this project area include removal of substandard buildings, elimination of environmental deficiencies, restructuring of obsolete street patterns and odd-shaped lot patterns, creation of new sites for commercial and industrial development, and expansion of employment opportunities.

- *City Centre Project Area*—This project area, which encompasses approximately 212 acres, was adopted by the Burbank City Council in October 1971. The Plan was amended in July 1974, October 1994 (per Assembly Bill 1290), and most recently in January 1999. The area encompasses City Hall and other City buildings, as well as the Media City Center Mall. The project area contains a variety of commercial and residential structures. Objectives of the City Centre Project include expansion of retail business, development of mixed-use housing and commercial facilities, elimination of detrimental land use and environmental deficiencies, and provision for overall beautification of the Burbank downtown area.

- *West Olive Project Area*—The Project Area was originally adopted in December 1976, and was subsequently amended in October 1994 to establish certain time and financial limitations imposed by the passage of Assembly Bill 1290. The Plan was most recently amended in June 2001 to confirm the dollar amount of the Plan's tax increment cap at \$60,000,000 net of taxing agency pass through payments and housing set aside amounts and to confirm the Project Area's time frame to collect tax increment revenue and incur debt. The Project Area contains 128 acres and consists of a mixture of residential, commercial, and media-related commercial and industrial facilities. The project encompasses the City's major medical center and several large movie, radio, and television studios. The focus of the West Olive Project has been to work with existing property owners toward upgrading and developing their facilities. The Agency has also provided for traffic reconfiguration and improvements (the Agency recently adopted a public improvement project list as part of the 2001 Plan amendment).

- *South San Fernando Project*—This project area was adopted in June 1997 and encompasses 467 acres of primarily commercial and industrial property with very little residential. The project area was formed to eliminate blight, encourage development of properties that incorporate or supports the use of integrated intermodal, City-wide transportation, and to remove impediments to development by assembling

properties into reasonable sizes and shapes. Particular attention is focused on redevelopment of the various "Opportunity Sites" within the project area, as well as working with existing property and business owners to redevelop and revitalize the project area. Other goals in the project area are to expand the commercial base, improve public facilities and public infrastructure, promote local employment opportunities, and to encourage the development, rehabilitation, and preservation of the housing stock.

### **Agency Financial Statements**

The Agency presently accounts for its financial transactions through various separately constituted funds and three account groups. The Agency's audited annual financial statements for the fiscal year ended June 30, 2001, are included in APPENDIX C—"AGENCY'S AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2001."

## **THE PROJECT AREA**

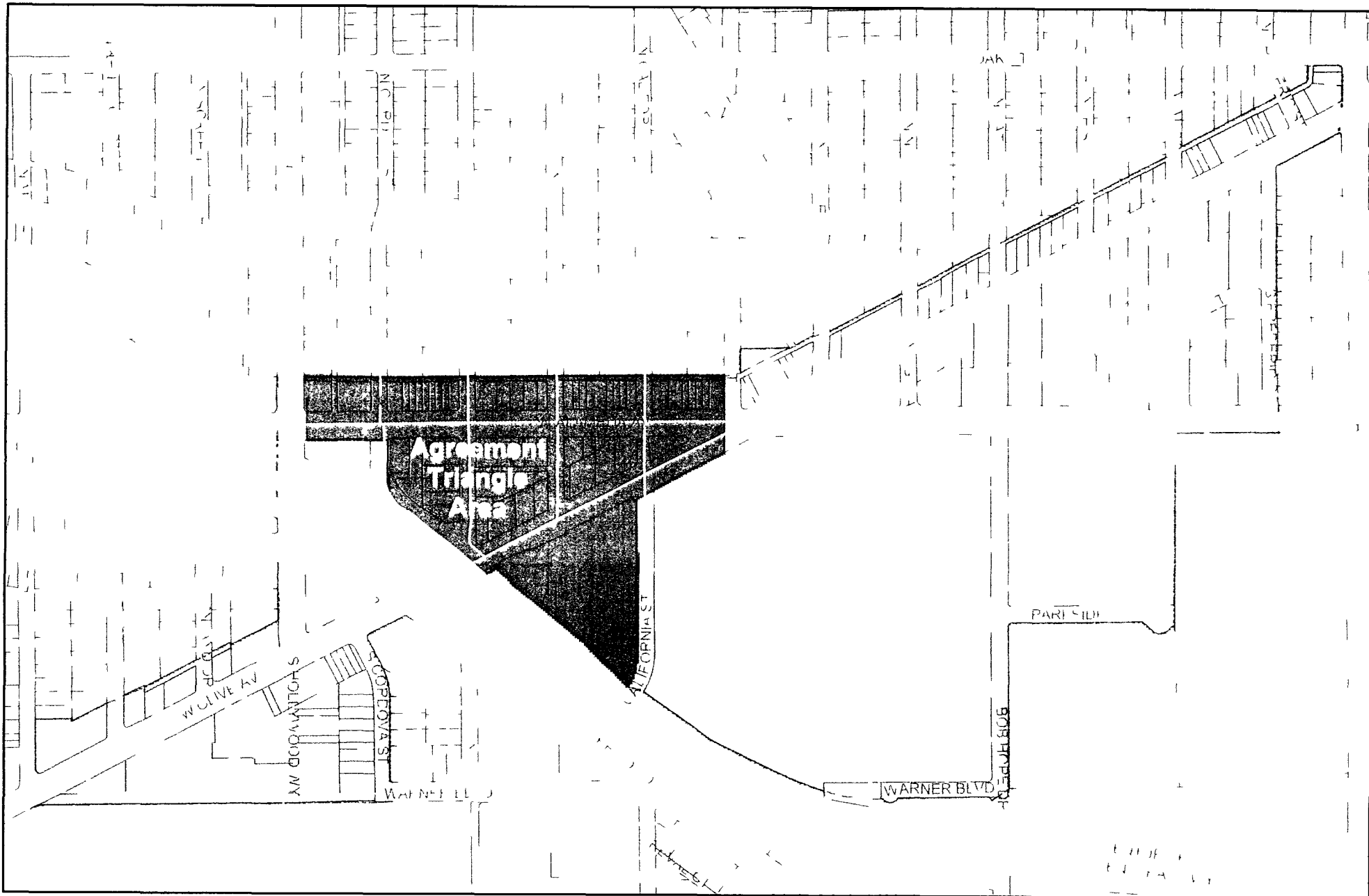
### **General**

The Agency adopted the Redevelopment Plan for the Project Area, as described in the Redevelopment Plan, on December 21, 1976, by adoption of Ordinance No. 2590, as amended by Ordinance No. 3388 adopted by the City Council of the City on October 11, 1994, and as further amended by Ordinance No. 3582 adopted by the City Council of the City on June 26, 2001. The Project Area consists of approximately 128 acres or approximately 1.2 percent of the land area of the City. The total assessed valuation of taxable property in the Project Area in fiscal year 2001-2002 is approximately \$503,852,745 with approximately \$454,223,745 of such amount representing incremental assessed value in excess of the adjusted assessed valuation in the Base Year.

All real property in the Project Area is subject to the controls and restrictions of the Redevelopment Plan. The Redevelopment Plan requires that new construction shall comply with all applicable State statutes and local laws in effect, including, but not limited to, fire, building, electrical, heating, and zoning codes of the City. The Redevelopment Plan allows for commercial, residential and public uses within the Project Area. The Agency may permit an existing but nonconforming use to remain so long as the existing building is in good condition and is generally compatible with the development and uses in the Project Area. The owner of any property with a nonconforming use must be willing to enter into an owner participation agreement with the Agency and agree to the imposition of such reasonable restrictions as are necessary to protect the development and use of the Project Area.

Within the limits, restrictions and controls established in the Redevelopment Plan, the Agency is authorized to establish land coverage, setback requirements, design criteria, and other development and design controls necessary for the proper development of both private and public areas within the Project Area. However, land uses must, in any case, conform to the City's general plan as it currently exists and as it may exit in the future.

A map of the Project Area is shown on the following page:



# West Olive Redevelopment Project

## Triangle Area

Parcel
  West Olive Redevelopment Area
  Agreement Triangle Boundary

500 Feet



## Redevelopment Plan Limitations

Sections 33333.2 and 33333.4 of the Redevelopment Law requires each redevelopment agency to either include in each redevelopment plan or to adopt by ordinance a limitation on the amount of taxes that may be divided and allocated to the redevelopment agency with respect to the related redevelopment project area. Under Section 33333.2, taxes may not be allocated to a redevelopment agency beyond this limitation except by amendment of the redevelopment plan.

The Redevelopment Plan contains such tax increment limitations. The amount of taxes attributable to real property (land and improvements including personal property) located within the Project Area that may be divided and allocated to the Agency under the Redevelopment Law is limited as follows:

Plan Life:	December 21, 2016
Last Date to Establish Debt:	January 1, 2004
Last Date to Repay Debt:	December 21, 2026
Cumulative Tax Increment Limit*:	\$60,000,000
Total Outstanding Bonded Indebtedness**:	\$30,000,000

\*Represents the maximum amount of tax increment revenues, net of housing set-aside requirement and pass-through obligations, receivable by the Agency. Through June 30, 2002, the Agency estimates that it has received the total amount of \$21,489,787.

\*\*Represents the total amount of bonds that may be outstanding for the Project Area. Other than the Bonds, there are no outstanding bonds of the Project Area.

## Settlement Agreements

On February 14, 1977, the County and the Los Angeles County Community College District (the "College District") filed a lawsuit entitled *County of Los Angeles v. All Persons Interested in the Matter of the Redevelopment Plan for the West Olive Redevelopment Project Area*, Los Angeles Superior Court No. C-189952, challenging the December 21, 1976, adoption of the ordinance approving the Redevelopment Plan for the Project Area. The complaint alleged, among other things, that the Project Area was not blighted, that the Project was unnecessary to redevelopment of the Project Area, and that the Project did not promote the general welfare of the community. The complaint prayed that the Redevelopment Plan for the Project be declared void, that no tax increment money be allocated to the Agency and that the Agency be enjoined from any action to implement or carry out the Redevelopment Plan.

Settlement agreements (the "Settlement Agreements") to the above action were executed with the County and the College District on October 25, 1977, and November 10, 1977, respectively, and a stipulated judgment of dismissal with prejudice (the "Stipulated Judgment") was filed thereafter. Provisions of the Settlement Agreements and the Stipulated Judgment included:

1. The Agency will return to the County and the College District their respective shares attributable to all property within the Project Area but outside that portion of the Project Area known as the "Triangle" (currently approximately 50% of the increment attributable to property outside the "Triangle" is remitted to the County and to the District, collectively), but will retain all tax increments attributable to increases in assessed value within the "Triangle";



2. Where property is acquired for public use within the Project Area, the value of such property will be deducted from the base year assessed value figure when calculating tax increments;
3. The Agency will not use tax increment money from other projects for the Project Area;
4. There will be no amendments to the Redevelopment Plan without the County's prior written approval;
5. The County and the College District would reconsider the terms of the settlement in the event of legislative changes which may affect assessing procedures or tax rate limitations which result in a reduction of tax increment revenues available to the Agency to the extent that the Agency becomes unable to pay its indebtedness and operating expenses; and
6. All property, except that acquired for public use, which is acquired by the Agency shall be returned to the tax rolls not later than two years from the date of acquisition.

The County has agreed to certain amendments to the Settlement Agreement approving the issuance of the Bonds and their term of repayment. The Agency has requested similar amendments from the College District although they have not yet been approved. However, the Agency has set aside sufficient moneys to indemnify the College District for amounts that might be owing to the College District if such amendments are not approved.

#### **Redevelopment Projects Undertaken**

The Project Area, located in the southwest part of the City within the Media District Specific Plan area, was formed in October 1976 to address infrastructure, traffic and other blighting conditions that hindered the revitalization of the area and full development of the Media District.

The Media District has its roots in the entertainment industry that started with the building of studios in and around the West Olive corridor prior to the 1940s. As industrial development supporting studio production activities expanded, and residential growth was attracted to the area, these uses were allowed to eventually locate in close proximity to each other. In later years, medical facilities and other commercial facilities were built in the area. The resulting increase in activities resulted in an overcrowded, congested environment characterized by blight, particularly ineffective public improvements, that did not provide adequate access or vehicular circulation.

Although strong businesses, notably the studios, were located in or near the Project Area, at the time of Project Area adoption, the area as a whole exhibited a number of major deficiencies. Vacant and underutilized parcels, unsightly and unscreened parking lots, mixed or incompatible land uses, parcels of irregular shape or inadequate size for development, smaller parcels under multiple ownership, obsolescent buildings, and a number of buildings exhibiting deterioration and the effects of deferred maintenance contributed to the physical and commercial deterioration of the Project Area. The variety of negative conditions in the Project Area combined to create an unsightly image and an area lacking cohesion and strong sense of identity. These conditions were exacerbated by a lack of investment and vitality in the area, particularly among the smaller businesses. The poor image of the area surrounding the studios was heightened by deteriorating and inadequate public improvements.

With excellent freeway access and visibility, much of the underutilized and vacant land in the Project Area was deemed to be rich for large-scale development; if sites could be assembled, and public infrastructure improvements were completed to serve the Project Area. However, because of limitations placed on the Agency after the adoption of the Project Area, the Agency has only been able to implement a limited redevelopment program for the Project Area. Projects completed by the Agency include the following:

- Completed intersection improvements at Alameda/Riverside
- Completed rehabilitation of a 14-unit building at 3516 Alameda Avenue
- Purchased and demolished substandard residential buildings at 3401 W. Olive Avenue and 111 N. Lima Street
- Prepared project studies for the State Department of Transportation (Cal Trans) for the Barham-Cahuenga Corridor Improvement Project
- Implemented the Media District Monument Sign Program
- Entered into a DDA for the Screen Actor's building—154,000 sq. ft. office building. The Agency contributed towards public improvements
- Media District Development Framework Plan—the Agency facilitated public improvements including landscaping and streetscape (trees, landscaped medians, sidewalks improvements)
- Alameda Avenue street median—facilitated landscaping of medians
- Contributed toward the site acquisition and construction of the new Buena Vista Library.

The Agency's efforts have resulted in a more cohesive environment and have initiated orderly development in the Project Area. Revitalization is evident in many areas of the Project Area.

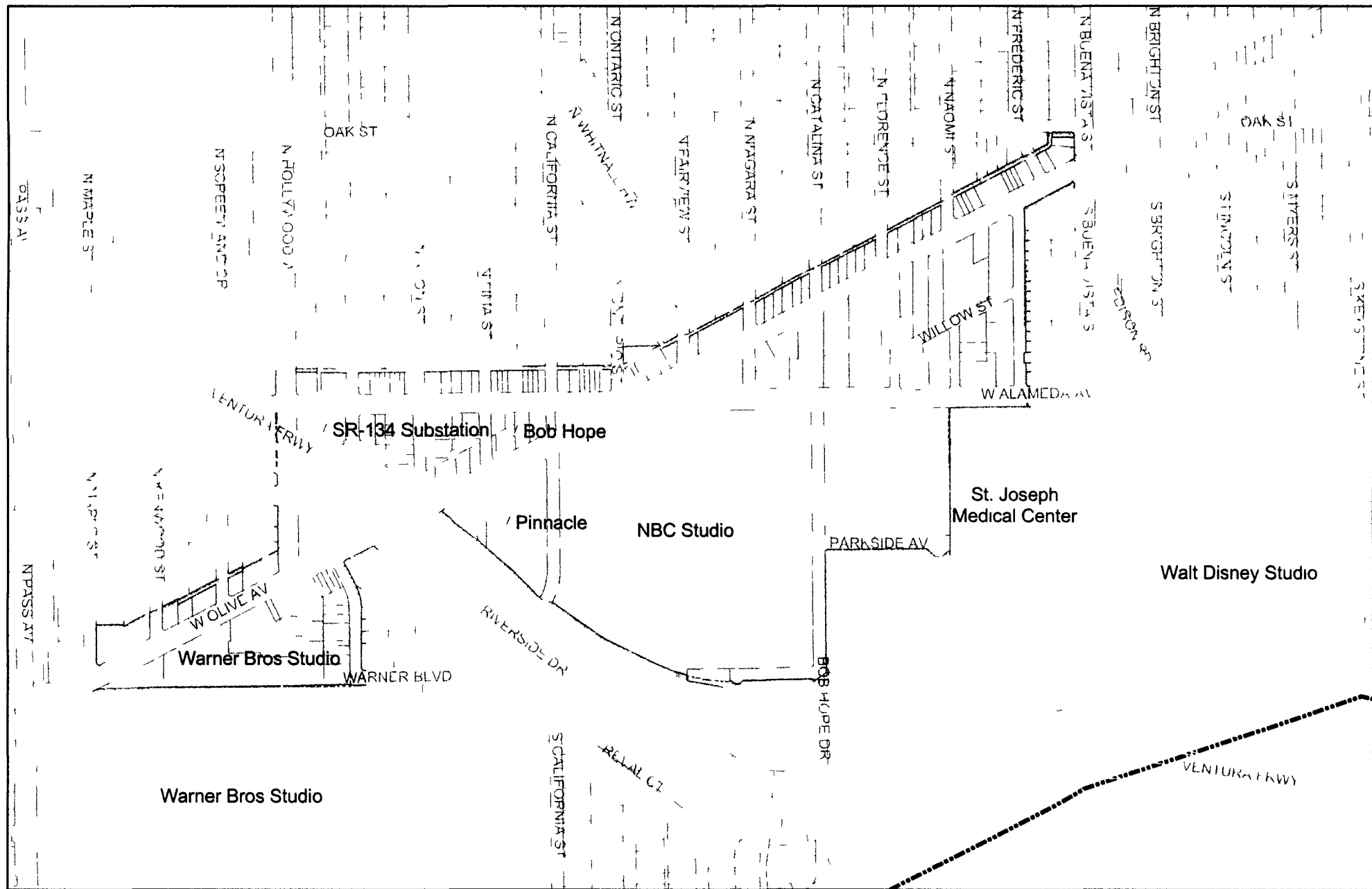
#### **Recent and Ongoing Development**

*Pinnacle Project*—The Pinnacle Project will include 585,000 square feet of office space with some restaurant space. The project will be built out in two phases. The first phase is approximately 380,000 square feet and is currently under construction to be completed in Summer 2002. Warner Music Group has leased 195,000 square feet of the office space in phase one and NBC Enterprises has leased 18,000 square feet of the office space in phase one. Two upscale restaurants have leased the restaurant space—Prego and Arnie Morton's Steakhouse.

*Bob Hope Project*—The Bob Hope Project has been approved, and includes approximately 100,000 square feet of office space, a comedy theater, a restaurant, and a Bob Hope memorabilia museum.

*NBC*—The NBC Master Plan, approved in March of 1997, proposed the development of an additional 2.15 million gross feet of new building space. Which when added to the 1.1 million gross square feet of existing space, would result in a cumulative total (less demolitions) of approximately 3.0 million gross feet of development at project build out. The new structures proposed in the Master Plan can be generally characterized as high rise media office buildings, stages and production support facilities, and multi-story parking structures. Three parking structures, each providing approximately 2,300 parking spaces in the six levels above ground and one below, are proposed to replace existing surface parking areas that would be covered by project construction, and to provide additional parking for the new media office buildings.

A map of major development sites in the Project Area are shown on the following page:



## Major Development Sites

## West Olive Redevelopment Area

☐ Feet

## Assessed Valuation

The Project Area's base year assessed valuation was established in fiscal year 1970-71 in the amount of \$49,359,000. A breakdown of the fiscal year 2001-02 assessed valuation (\$503,852,745) by category of use is as follows:

### WEST OLIVE REDEVELOPMENT PROJECT Breakdown of Assessed Valuation by Category of Use

Category	# Parcels	Net Taxable	
		Value	%
Residential	39	\$ 7,616,131	1.50
Commercial	80	202,978,228	40.30
Industrial	15	140,150,236	27.80
Institutional	5	16,010,624	3.20
Vacant Land	21	7,064,852	1.40
Exempt	7	1,220,720	0.20
Unsecured	[198]	118,959,366	23.60
Unknown	<u>1</u>	<u>9,852,588</u>	<u>2.00</u>
Totals:	<u>168</u>	<u>\$ 503,852,745</u>	<u>100.00</u>

Source: Los Angeles County Assessor

Note: Unsecured and possessory interest parcels are shown in brackets because they are, in reality, tax bills that are assigned to secured parcels already accounted for in other categories. The figures include the value for exempt parcels such as those owned by the City, the Agency, the State or other governmental agencies.

The following table shows the actual assessed values for fiscal years 1997 to 2001 based upon the Los Angeles County Auditor/Controller's equalized rolls and incremental values of property within the Project Area based on an exclusion of assessed values from the unsecured roll.

### WEST OLIVE REDEVELOPMENT PROJECT Historical Taxable Values and Tax Increment Revenues Fiscal Years Ended June 30, (Dollars in Thousands)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Secured Assessed Values	\$340,835	\$360,895	\$392,199	\$387,283	\$381,107
Unsecured Assessed Values	<u>79,352</u>	<u>93,810</u>	<u>102,028</u>	<u>105,290</u>	<u>104,179</u>
Total Assessed Value	420,187	454,705	494,227	492,573	485,286
Base Year	<u>49,359</u>	<u>49,359</u>	<u>49,359</u>	<u>49,359</u>	<u>49,359</u>
Incremental Value	<u>370,828</u>	<u>405,346</u>	<u>444,868</u>	<u>443,214</u>	<u>435,927</u>
Gross Tax Revenues	3,607	4,296	4,629	4,317	4,294
Less:					
Housing Set-Aside	721	859	926	863	859
Settlement Agreements	1,717	1,962	2,127	2,217	2,302
County Administration	<u>84</u>	<u>84</u>	<u>92</u>	<u>85</u>	<u>86</u>
Net Tax Revenues	<u>1,085</u>	<u>1,391</u>	<u>1,484</u>	<u>1,152</u>	<u>1,047</u>

Source: County of Los Angeles.

The following table shows the ten largest assessees by secured valuation in the Project Area.

WEST OLIVE REDEVELOPMENT PROJECT  
Largest Fiscal Year 2001-02 Taxpayers

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2001-02 Assessed Valuation</u>	<u>% of Total (1)</u>
National Broadcasting Company, Inc	Entertainment/Studio	\$169,246,801	33.59%
Time Warner Entertainment Company	Entertainment/Studio	41,149,881	8.17
Business Arts Plaza, Inc	Office Building	34,868,373	6.92
Carramerica Realty Limited Partnership	Office Building	30,200,838	5.99
Douglas Emmett Realty Fund 1997	Office Building	22,518,167	4.47
Liberty Livewire Corporation	Office/Manufacturing	22,480,935	4.46
Foto Kem Industries Inc.	Entertainment/Media	20,846,922	4.14
Brodersen LLC	Entertainment/Studio/Other Uses	18,692,017	3.71
Media Center Development LLC	Office Building	15,821,105	3.14
Golden State Medical Building Company	Parking	<u>10,976,220</u>	<u>2.18</u>
Total		<u>\$386,801,259</u>	<u>76.77%</u>

Source Los Angeles County Assessor 2001/2002 Secured and Unsecured Tax Rolls  
(1) The total taxable value for fiscal year 2001-02 is \$503,852,745

National Broadcasting Company ("NBC") is the largest assessee in the Project Area representing approximately 33.59% of the total assessed value. NBC's principal businesses are the furnishing of network television services to affiliated television stations, the production of television programs and the operation of television broadcasting stations. NBC also provides cable programming and distribution services in the U.S., Europe and Latin America. NBC is a wholly owned subsidiary of General Electric Company ("GE") which is one of the largest and most diversified industrial corporations in the world. NBC has a network television studio located on a 51-acre campus at the intersection of Olive and Alameda Avenues. The facility, which includes administrative offices and soundstages, is utilized for the production of network television programs and has an assessed value of \$169,246,801.

## Annual Tax Receipts to Tax Levy

The County apportions tax revenues to redevelopment agencies based upon the amount of the tax levy that is received from the taxpayers. Secured collection rates for the Project Area have been consistently high. The following table illustrates the tax revenue collections for previous five fiscal years.

Dollars in Thousands

Fiscal Year	Secured and Unitary Tax Levy	Unsecured Tax Levy	Total Apportioned	Current Year Collection	Total Collection	Prior Year Collection
1996-97	\$ 3,042	\$ 724	\$ 3,766	\$ 3,713	98.6%	\$ (107)
1997-98	3,246	870	4,116	4,089	99.3	207
1998-99	3,562	953	4,515	4,510	99.9	213
1999-00	3,377	1,025	4,402	4,393	99.8	(69)
2000-01	3,482	995	4,477	4,382	97.9	(86)

Source Los Angeles County Auditor-Controller's Office, Disbursement Tax Division "CRA Remittance Advice"

(1) Prior Year Collections include supplemental revenue, reductions for taxpayer refunds and revenue from prior years.

## Appeals of Assessed Values

Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. After the applicant and the assessor have presented their arguments, the Appeals Board makes a final decision on the proper assessed value. The Appeals Board may rule in the assessor's favor, in the applicant's favor or the Appeals Board may set its own opinion of the proper assessed value, which may be more or less than either the assessor's opinion or the applicant's opinion.

Any reduction in the assessment ultimately granted applies to the year for which application is made and during which the written application was filed. After a reduction is allowed, the property is reviewed on an annual basis to determine its full cash value and the valuation may be adjusted accordingly. This may result in further reductions or increases in value. Such increases are in accordance with the actual cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it is once again subject to the annual inflationary growth rate allowed under Article XIII A.

Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively after that. The "base year" is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Refunds for taxpayer overpayment of property taxes may include refunds for overpayment of taxes in years after that which was appealed. Any taxpayer payment of property taxes that is based on a value that is subsequently adjusted downward will require a refund for overpayment.

Since fiscal year 1995-96, there have been 29 assessment appeals filed on properties within the Project Area. Of the 29 appeals filed, 8 were allowed, with a reduction in value and 13 were denied. These figures result in an average of 38.1 percent of all appeals being allowed with a reduction of value. The historical average reduction in value for allowed appeals is 10.85 percent.

There are four appeals currently pending on properties within the Project Area. These owners have appealed valuations totaling \$159,312,872 and are seeking reductions totaling \$2,094,653. Based on historical averages, three of the pending appeals are likely to be allowed with a reduction in assessed value of \$8,083,760. Projected assessed values for fiscal year 2002-03 have been adjusted for this estimated loss in value. Reductions in revenue for refunds that may result from these appeals, if successful, have not been estimated. No property owner among the ten largest secured property owners has a current pending appeal.

## Tax Increment Revenue Projections and Debt Service Coverage

The following table sets forth the projected growth in tax increment revenues over the next five years. The projected growth in real property taxable values includes anticipated value added from the identified new developments identified under the subheading "The Redevelopment Plan" above, and the maximum annual inflationary factor allowed under Proposition 13 (2%). Future personal property values are assumed to stabilize at the previous year level such table also shows the debt service coverage in each such year.

### PROJECTED TAX REVENUES AND DEBT SERVICE COVERAGE (000's omitted)

	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>
Assessed values ·						
Secured (1)	\$393,828	\$401,705	\$433,239	\$441,904	\$450,742	\$459,757
Unsecured (1)	107,757	109,912	112,110	114,352	116,639	118,972
Total assessed values	501,585	511,617	545,349	556,256	567,381	578,729
Base year values	49,360	49,360	49,360	49,360	49,360	49,360
Incremental assessed value	452,225	462,257	495,989	506,896	518,021	529,369
Tax rate	1.0122%	1.0122%	1.0122%	1.0122%	1.0122%	1.0122%
Tax increment	4,577	4,679	5,020	5,131	5,243	5,358
Delinquency factor—3% (2)	(137)	(140)	(151)	(154)	(157)	(161)
Unitary tax revenue	12	12	12	12	12	12
Gross tax revenues	4,452	4,551	4,881	4,989	5,098	5,209
Less:						
SB2557 Admin fee	87	89	91	93	95	97
AB1290 Tax Sharing	34	54	124	146	169	193
Settlement Agt Payments	2,254	2,304	2,367	2,420	2,472	2,526
Low/Mod housing	873	892	958	979	1,001	1,022
Total deductions	3,248	3,339	3,540	3,638	3,737	3,838
Net Revenues	1,204	1,212	1,341	1,351	1,361	1,371
Bond Debt Service	—	383	948	948	934	949
Debt Service Coverage (3)	—	3.16x	1.41x	1.43x	1.46x	1.45x

Source: The Agency

(1) Increased 2% per year, Assumes Pinnacle project increases AV by \$23.5M in FY 03/04

(2) Delinquency includes amounts lost due to appeals and non-payments

(3) Equals Net Revenues divided by Bond Debt Service

The foregoing projection reflects the Agency's understanding of the assessment and tax apportionment procedures employed by the County. The County procedures are subject to change as a reflection of policy revisions or legislative mandate. While the Agency believes the estimates to be reasonable, taxable values resulting from actual appraisals may vary from the amounts assumed in the projections.

No assurances are provided by the Agency as to the certainty of the projected tax increment revenues shown on the foregoing table. Actual revenues may be higher or lower than what has been



projected and are subject to valuation changes resulting from new developments or transfers of ownership not specifically identified herein, actual resolution of outstanding appeals, future filing of appeals, or the non-payment of taxes due.

## **RISK FACTORS**

*The following section describes certain risk factors affecting the payment and security of the Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the Bonds. There can be no assurance that other risk factors will not become material in the future.*

### **Tax Revenues**

The Tax Revenues allocated to the Agency, which constitute the primary security for the Bonds, are determined by the incremental assessed value of taxable property in the Project Area, the current rate or rates at which property in the Project Area is taxed and the percentage of taxes collected in the Project Area. Several types of events which are beyond the control of the Agency could occur and cause a reduction in available Tax Revenues. A reduction of taxable assessed values of property in the Project Area caused by economic or other factors beyond the Agency's control could occur (such as successful appeals by the property owner for a reduction in a property's assessed value, a reduction of the general inflationary rate, a reduction in transfers of property, construction activity or other events that permit reassessment of property at lower values, or the destruction of property caused by natural or other disasters), and have occurred in recent years, thereby causing a reduction in Tax Increment Revenues and correspondingly reducing the amount of Tax Revenues. Such a reduction in Tax Revenues could have an adverse impact on the Agency's ability to make timely payment of principal of and interest on the Bonds, as applicable.

As described in greater detail under "LIMITATIONS ON TAX REVENUES—Property Tax Rate Limitations—Article XIII A," Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a two percent increase for any given year; or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value over the term of the Bonds could reduce Tax Revenues securing the Bonds. See "LIMITATIONS ON TAX REVENUES - Property Tax Rate Limitations - Article XIII A."

Historically, some property owners within the Project Area have appealed for reductions in the assessed value of their properties. Reductions in the assessed value of the secured property in the Project Area in recent years as shown in the summaries of historical assessed valuation set forth herein can be attributed in part to such appeals and reductions in property values generally. Tax Revenues may be reduced from current levels as a result of such appeals and reductions in property values generally. See "THE PROJECT AREA - Appeals of Assessed Values" herein.

In addition to the other existing limitations on Tax Revenues described below under "LIMITATIONS ON TAX REVENUES," the California electorate or Legislature could adopt a constitutional or legislative property tax decrease with the effect of reducing Tax Revenues payable to the

Agency. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could reduce the Tax Revenues and adversely affect the security of the Bonds.

The Agency has no power to levy and collect property taxes. Any substantial delinquencies in the payment of property taxes by property owners in the Project Area could have an adverse effect on the Agency's ability to make timely debt service payments on the Bonds. Tax Revenues allocated to the Agency are distributed throughout the year in installments, with the first installment distributed in November and the last installment distributed in August of the succeeding fiscal year. The payments are adjusted to reflect actual collections. See "LIMITATIONS ON TAX REVENUES—Property Tax Collection Procedures" herein.

### **Reduction in Inflationary Rate**

As described in greater detail below, Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis.

Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation four times: in fiscal year 1982-83, 1%; in fiscal year 1993-94, 1.19%; in fiscal year 1994-95, 1.11%; and in fiscal year 1997-98, 1.85%. The Agency is unable to predict if any adjustments to the full cash value base of real property within the Project Area, whether an increase or a reduction, will be realized in the future.

### **Development Risks**

The general economy of the Project Area will be subject to all the risks generally associated with real estate development. Projected development within the Project Area may be subject to unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development operations within the Project Area could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in the Project Area is delayed or halted, the economy of the Project Area could be affected. If such events lead to a decline in assessed values they could cause a reduction in Tax Revenues. In addition, if there is a decline in the general economy of the Project Area, the owners of property within the Project Area may be less able or less willing to make timely payments of property taxes causing a delay or stoppage of the Tax Revenues received by the Agency from the Project Area. In addition, the insolvency or bankruptcy of one or more large owners of property within the Project Area could delay or impair the receipt of Tax Revenues by the Agency. See "LIMITATION ON TAX REVENUES—Property Tax Collection Procedures" herein.

## **Levy and Collection of Taxes**

The Agency has no independent power to levy or collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Agency to repay the Loan.

Likewise, delinquencies in the payment of property taxes by the owners of land in the Project Area, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes, could have an adverse effect on the Agency's ability to make timely Loan payments. Any reduction in Tax Revenues, whether for any of these reasons or any other reasons, could have an adverse effect on the Agency's ability to meet its obligations under the Loan Agreement and thus adversely affect the Authority's ability to pay the principal of and interest on the Bonds.

## **Appeals to Assessed Values and Blanket Reductions to Assessed Values**

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

In Los Angeles County, a property owner desiring to reduce the assessed value of such owner's property in any one year must submit an application to the Los Angeles County Assessment Appeals Board (the "Appeals Board"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of the application by the County Assessor's Office (the "Assessor"), the Assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date.

In the case of appeals based on declines in property values (Proposition 8), any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than two percent) following the year for which the reduction application is filed. However, the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

It is the current practice of the County to distribute tax increment revenues to the Agency as received based upon real property taxes levied during the then current fiscal year. The County does not reduce the Agency's receipts of tax increment revenues on account of amounts refunded to a taxpayer as the result of a successful appeal. There can be no assurance that such practice will not be discontinued by the County in the future.

Appeals to assessed values in the Project Area should be expected to be filed from time to time in the future. The Agency cannot predict the extent of these appeals or their likelihood of success.

## **Investment Risk**

The Reserve Fund and all funds held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See Appendix A attached hereto for a summary of the definition of Permitted Investments. The funds and accounts of the Agency, into which a portion of the proceeds of the Bonds will be deposited and into which all Tax Revenues are initially deposited, may be invested by the Agency in any investment authorized by law. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal.

Further, the Agency cannot predict the effects on the receipt of Tax Revenues if the County or the City were to suffer significant losses in their portfolio of investments or if the County or the City were to become insolvent or declare bankruptcy. See “Bankruptcy and Foreclosure” below.

## **Low and Moderate Income Housing Fund**

The Redevelopment Law currently requires that, except under certain circumstances, redevelopment agencies set aside 20% of all gross tax increment revenues derived from redevelopment project areas into a low and moderate income housing fund, to be used for the purpose of increasing, improving and/or preserving the community’s supply of low and moderate income housing. The provisions of the Redevelopment Law regarding the funding of low and moderate income housing funds have been frequently amended since their original adoption. In addition, the interpretations of these laws by the California Attorney General and agency counsels throughout the State have at times been subject to variation and change. While the Agency is of the opinion that it has been in compliance with the provisions of the Redevelopment Law regarding its Low and Moderate Income Housing Fund, there can be no assurance as to whether a claim challenging the Agency’s practices in this area might be filed. See “LIMITATIONS ON TAX REVENUES—Low and Moderate Income Housing” herein.

## **Earthquake and Flood Risk**

The Tax Revenues may be adversely affected if any property in the Project Area is damaged or destroyed by natural hazard such as earthquake or flood. Earthquake damage in the Project Area could adversely affect assessed valuation leading to a decline in Tax Revenues and therefore the ability of the Agency to make Loan Payments securing the Bonds. The Project Area is located in close proximity to several seismically active earthquake faults. The Project Area is located in a liquefaction zone. A liquefaction zone is an area where historic occurrences of liquefaction, or local geological, geotechnical and groundwater conditions indicate a potential for permanent ground displacements such that mitigation as defined in Section 2693(c) California Public Resources Code would be required.

## **Hazardous Substances**

The discovery of hazardous substances on the property in the Project Area could limit the beneficial use of taxable property within the Project Area. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. Should any of the property within the Project Area be affected by a hazardous substance, the effect could be to reduce the marketability and value of the property by the costs of remedying the

condition or other amounts, which could result in the reduction in the assessed value of property in the Project Area.

### **Educational Revenue Augmentation Fund**

The State budget for fiscal year 1993-94 transferred \$2.6 billion to school districts from cities, counties and other local governments, including redevelopment agencies. As part of the budget's transfer of moneys to school districts, the State Legislature required redevelopment agencies to transfer approximately \$65 million to the Educational Revenue Augmentation Fund in both fiscal years 1993-94 and 1994-95. Such a transfer has not been a part of the State budget since fiscal year 1994-95. However, there can be no assurance that the Legislature will not require similar or increased deposits in future years to deal with budget deficits.

On May 14, 2002, the Governor of the State of California released his "May Revision" of the proposed budget for Fiscal Year 2002/03 (the "Budget"). The Budget contains a proposal that California redevelopment agencies will be required to pay annually an aggregate amount of \$75 million into the Educational Revenue Augmentation Fund ("ERAF").

The Agency estimates that the required ERAF deposit, if enacted, would equal about 3.8% of the current tax increment allocated to the Redevelopment Project, or approximately \$52,518 in 2002/03. The Agency cannot predict whether the required ERAF deposit will become law. Nevertheless, if the required ERAF deposit should become law and the deposit is not in excess of the amounts proposed in the Budget, the Agency does not believe that deposit would impair its ability to pay debt service on the Bonds.

### **Bankruptcy and Foreclosure**

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that ad valorem property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be "administrative expenses" of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes. According to the court's ruling, as administrative expenses, post-petition taxes would be paid, assuming that the debtor had sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out to the bankruptcy estate (through foreclosure or otherwise), it would at that time become subject to current ad valorem taxes.

*Glasply* is controlling precedent on bankruptcy courts in the State. The lien date for property taxes in California is the March 1 preceding the fiscal year for which the taxes are levied. Therefore, under *Glasply*, a bankruptcy petition filing would prevent a lien for property taxes levied in subsequent fiscal years from attaching so long as the property was part of the estate in bankruptcy. To the extent *Glasply* is applied to property owners within the Project Area who file for bankruptcy and whose property taxes are a source of Tax Revenues for the Agency, the amount of Tax Revenues may be reduced.

However, *Glasply* only applies to bankruptcy petitions filed prior to October 22, 1994 because Congress enacted on that date 11 U.S.C. § 362(b)(18), which added a new exception to the automatic stay

for ad valorem property taxes imposed by a political subdivision after the filing of a bankruptcy petition. Thus, in the event of a bankruptcy petition filed on or after October 22, 1994, the lien for ad valorem taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate.

### **Future Changes In the Law**

In addition to the existing limitations on Tax Revenues described herein under "LIMITATIONS ON TAX REVENUES," the California electorate or Legislature could adopt future limitations with the effect of reducing Tax Revenues payable to the Agency. For a discussion regarding a recent Orange County Case with respect to Proposition 13 and assessed values, see "Recent Litigation Regarding Increase in Assessed Valuation" below.

### **State Budget**

In connection with its approval of the budgets for the 1992-93, 1993-94 and 1994-95 fiscal years, the State Legislature enacted legislation, that among other things, reallocated a portion of funds from redevelopment agencies to school districts by shifting each agency's tax increment, net of amounts due to other taxing agencies, to school districts. At present, the State is not requiring this reallocation to continue in the future; however, there can be no assurances that reallocations will not be required in the future.

### **GASB 34**

The Government Accounting Standards Board recently imposed significant new accounting standards on State and local governments pursuant to Statement No. 34 ("GASB 34"). GASB 34 is effective in fiscal year 2001-02 for local governments with over \$100 million or more in revenues, applicable to local governments with between \$10 million and \$100 million in revenues in fiscal year 2002-03 and applicable to local governments with less than \$10 million in revenues in fiscal year 2003-04. GASB 34 imposes several new requirements with respect to the financial statements prepared by local governments, including: (i) a requirement of detailed financial statements for any major fund (defined as a fund whose revenues, expenses, assets or liabilities are at least 10% of the corresponding totals for all government or enterprise funds and at least 5% of the aggregate amount for all government and enterprise funds); (ii) a budget analysis with a comparison to the original budget (as opposed to including only a comparison with the budget that has been revised throughout the course of the year); (iii) a required reporting of all capital assets, including infrastructure such as roads and bridges; and (iv) preparation of a management discussion letter and analysis (an "MD&A") for the purpose of providing an analytic overview of the government's financial activities, including an analysis of any significant changes in capital assets or long-term debt.

The Agency will be implementing the new financial reporting methods required by GASB 34 for the first time in its financial statements for fiscal year 2001-02. The Agency does not anticipate any significant impact from the implementation of GASB 34.

### **Recent Litigation Regarding Increase in Assessed Valuation**

On November 2, 2001, the Orange County Superior Court issued a Minute Order in the case of *County of Orange v. County of Orange County Assessment Appeals Board No. 3*. The case involved the assessed value of a property that exceeded the prior year's assessed value by more than 2%. The increase of a property's assessed value by more than 2% is a common practice among California assessors when the prior year value of the property is less than the base year value of the property (the value assigned upon change of ownership or new construction) and the current year, market value of property is equal to or higher than

the computed base year value for the current year. Such instances occur when the prior year value of the property was determined by a Proposition 8 appeal and the condition causing reduction (e.g., recession in the real estate market) has ceased to influence the value of property.

The court ruled that the California Constitution and the California Revenue and Taxation Code limit the year to year change in assessed value of property to 2% under the circumstances described above.

At this time, the Orange County Superior Court is considering possible class certification for a challenge to the Orange County assessor's practice. It is unclear whether, or to what extent, this potential class action suit may affect assessments outside of Orange County. The County of Los Angeles generally follows the same practice of raising assessed values by more than 2% as practiced by Orange County in the case described above.

The Agency believes that the ruling described above, if ultimately determined to have universal applicability, would not have a material, adverse effect on Tax Revenues.

### **Loss of Tax Exemption**

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the Agency has covenanted in the Indenture to comply with each applicable requirement of the Internal Revenue Code of 1986, as amended. The interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds, as a result of acts or omissions of the Agency or the City in violation of covenants in the Indenture. Should such an event of taxability occur, the Bonds may not be subject to acceleration or redemption and no increase in interest rates will occur, and the Bonds will remain Outstanding until maturity or until redeemed under one of the redemption provisions contained in the Indenture. See "TAX MATTERS" herein.

## **LIMITATIONS ON TAX REVENUES**

### **Property Tax Limitations—Article XIII A**

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean "the county assessor's valuation of real property as shown on the fiscal year 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. The amendment further limits the amount of any ad valorem tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII was adopted in October 1986 by initiative which exempts any bonded indebtedness approved by two-thirds (55% in certain instances) of the votes cast by the voters for the acquisition or improvement of real property from the one percent limitation.

On September 22, 1978, the California Supreme Court upheld the amendment over challenges on several state and federal constitutional grounds (*Amador Valley Joint Union School District v. State Board of Equalization*). The Court reserved certain constitutional issues and the validity of legislation implementing the amendment for future determination in proper cases.

In the general elections of 1986, 1988 and 1990, the voters of the State approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reassessment under Article XIII A. This amendment has reduced the local property tax revenues. Other amendments permitted the Legislature to allow persons over 55 who sell their residence on or after November 5, 1986, to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence, and permitted the Legislature to authorize each county under certain circumstances to adopt an ordinance making such transfers or assessed value applicable to situations in which the replacement dwelling purchased or constructed after November 8, 1988, is located within the county and the original property is located in another county within California.

In the October 1990 election, the voters approved additional amendments to Article XIII A permitting the State Legislature to extend the replacement dwelling provisions applicable to persons over 55 to severely disabled homeowners for replacement dwellings purchased or newly constructed on or after June 5, 1990, and to exclude from the definition of "new construction," triggering reassessment, improvements to certain dwellings for the purpose of making the dwelling more accessible to severely disabled persons. In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

### Challenges to Article XIII A

The U.S. Supreme Court struck down as a violation of equal protection certain property tax assessment practices in West Virginia, which had resulted in vastly different assessments of similar properties. Since Proposition 13 provides that property may only be reassessed up to two percent per year, except upon change of ownership or new construction, recent purchasers may pay substantially higher property taxes than long-time owners of comparable property in a community. The Supreme Court in the West Virginia case expressly declined to comment in any way on the constitutionality of Proposition 13.

Based on the decision in the West Virginia case, property owners in California brought three suits challenging the acquisition value assessment provisions of Article XIII A. Two cases involved residential property, and one case involved commercial property. In all three cases, State trial and appellate courts have upheld the constitutionality of Article XIII A's assessment rules and concluded that the West Virginia case did not apply to California's laws. On June 3, 1991, the U.S. Supreme Court agreed to hear the appeal in the challenge relating to commercial property, but the plaintiff subsequently withdrew its case. On June 18, 1992, the U.S. Supreme Court upheld the decision in *Nordlinger v. Hahn*, one of the challenges relating to residential property.



## Implementing Legislation

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A.

The apportionment of property taxes in fiscal years after 1978-79 has been revised pursuant to Statutes of 1979, Chapter 282 which provides relief funds from State moneys beginning in fiscal year 1978-79 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies. Under Chapter 282, cities and counties receive about one-third more of the remaining property tax revenues collected under Proposition 13 instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs except for certain utility property assessed by the State Board of Equalization which is allocated by a different method discussed herein.

### Unitary Property

Assembly Bill 454 Statutes of 1987, Chapter 921 ("AB 454"), provided that revenues derived from Unitary Property (consisting mostly of operations property owned by utility companies), commencing with fiscal year 1988-89, will be allocated as follows: (1) for revenues generated from the one percent tax rate, (a) each jurisdiction, including redevelopment project areas, will receive a percentage up to 102 percent of its prior year State-assessed unitary revenue; and (b) if county-wide revenues generated from Unitary Property are greater than 102 percent of the previous year's revenues, each jurisdiction will receive a percentage share of the excess unitary revenues by a specified formula, and (2) for revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, each jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes. This provision applies to all Unitary Property except railroads whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of assessment of any State-assessed properties nor a revision of the method of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions within a county.

On February 1, 1991, the Superior Court for the County of Sacramento issued a Statement of Decision in *AT&T Communications of California, et al. v. State Board of Equalization* which reduced the valuation of certain unitary property owned by AT&T for property tax purposes. Under the decision, the valuation method used by the State Board of Equalization to assess unitary public utility property was declared illegal and a new method of valuation, resulting in significantly lower values and therefore significantly lower potential property tax revenues, was imposed. The effect on AT&T's statewide assessed value was to reduce it from approximately \$1,750,000,000 to approximately \$1,100,000,000. As a result of this case, on May 1, 1992, 57 of California's 58 counties, the State Board of Equalization and a number of other utility companies whose unitary property valuations could be affected by the principles announced in

the Superior Court decision entered into a settlement agreement. On July 14, 1993, the Superior Court for the County of Sacramento entered a judgment validating the settlement agreement.

Although the settlement agreement is complex and extensive, its substance is represented by the signatory public utilities' agreement (except AT&T) to abandon their right to refunds since 1983 in return for lowered assessed valuations for the next eight fiscal years pursuant to an agreed formula.

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of project areas, therefore, the base year values of project areas have been reduced by the amount of utility value that existed originally in the base year. Within the Project Area, the Auditor Controller has allocated \$12,000 in unitary tax revenue to the Agency for fiscal year 2001-02. This amount is reasonably consistent with the unitary revenue allocations made to the Agency in prior years.

In response to the recent energy crisis in California, the Governor has proposed that the State acquire the electrical transmission line system from the current utility company owners. This proposal is still under consideration and it is unknown at this time whether or not it will be implemented. Additionally, the consequences of such an acquisition are unknown. It is possible, however, that this plan, if implemented, may render the transmission system tax exempt, thus, eliminating this value from the State Board of Equalization taxable rolls and reducing the amount of unitary taxes collected and distributed. The impact of this reduction, if any, would be proportionately allocated throughout the County.

### **Property Tax Collection Procedures**

*Classifications.* In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against unsecured property, but may become a lien on certain other property owned by the taxpayer.

*Collections.* The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvements or possessory interests belonging or assessed to the assessee.

The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes which are delinquent.

*Penalties.* A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is declared in default on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month

to the time of redemption and a \$15 Redemption Fee. If taxes are unpaid for a period of five years or more, the property is recorded in a "Power to Sell" status and is subject to sale by the county tax collector. A 10% penalty also applies to the delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

*Delinquencies.* The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1. Unsecured taxes enrolled by July 31, if unpaid, are delinquent August 31 at 5:00 p.m. and are subject to penalty; unsecured taxes added to the roll after July 31, if unpaid, are delinquent on the last day of the month succeeding the month of enrollment.

*Supplemental Assessments.* Legislation enacted in 1983 (Chapter 498, Statutes of 1983) provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction.

Chapter 498 provided increased revenue to redevelopment agencies to the extent that supplemental assessments of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such State supplemental assessments occur within the Project Area, the Agency's Tax Revenues may increase.

*Tax Collection Fees.* In 1990, the State Legislature enacted Senate Bill 2557 (Chapter 466, Statutes of 1990) ("SB 2557") which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. Two recent decisions have interpreted the provisions of SB 2557 and have upheld the inclusion of redevelopment agencies as a local government agency which must share the cost of property tax administration. The 1992 enactment of Senate Bill 1559 (Chapter 697) and the decision of the California Court of Appeal in *Arcadia Redevelopment Agency v. Ikemoto* have clarified that redevelopment agencies, such as the Agency, are to share in the cost of property tax administration charged by most California counties, including the County. During fiscal years 2000-2001 and 2001-2002, the County withheld approximately \$86,999 and \$94,185 respectively, from the Agency for such administrative costs.

### **Appropriations Limitations—Article XIII B**

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the California Constitution. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity.

Effective November 30, 1980, the California Legislature added Section 33678 to the Redevelopment Law which provided that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness will not be deemed the receipt by such agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIII B, nor will such portion of taxes be deemed receipt of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law.

## **State Board of Equalization and Property Assessment Practices**

On December 10, 1998, the State Board of Equalization ("SBOE") approved revisions to its guidelines regarding the valuation of intangible business and commercial property for property tax purposes. The SBOE approved these revisions over the strong objections of the California Assessors Association ("CAA"), an organization representing all 58 County Assessors in California.

The Agency is not able to predict whether the revised SBOE guidelines will cause any reductions in tax increment revenues and, hence, in Tax Revenues. However, the Agency does not believe that the SBOE's adoption of the revised guidelines will affect its ability to pay debt service on the Loan.

### **Exclusion of Tax Revenues for General Obligation Bonds Debt Service**

An initiative to amend the California Constitution entitled "Property Tax Revenues Redevelopment Agencies" was approved by California voters at the November 8, 1988 general election. Under prior law, a redevelopment agency using tax increment revenue received additional property tax revenue whenever a local government increased its property tax rate to pay off its general obligation bonds. This initiative amended the California Constitution to allow the California Legislature to prohibit redevelopment agencies from receiving any of the property tax revenues raised by increased property tax rates imposed by local governments to make payments on their bonded indebtedness.

The initiative only applies to tax rates levied to finance general obligation bonds approved by the voters on or after January 1, 1989. Any revenue reduction to redevelopment agencies would depend on the number and value of the general obligation bonds approved by voters in prior years, which tax rate will reduce due to increased valuation subject to the tax or the retirement of the indebtedness. The Agency does not receive a significant amount of tax increment as a result of general obligation bond tax levies.

### **Proposition 218**

On November 5, 1996, California voters approved Proposition 218-Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges-Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Tax Revenues securing the Bonds are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which were limited by Proposition 218.

### **AB 1290**

In 1993, the California Legislature enacted Assembly Bill 1290 ("AB 1290") which contained several significant changes in the Redevelopment Law. Among the changes made by AB 1290 was a provision that limits the period of time for incurring and repaying loans, advances and indebtedness payable from tax increment revenues. In general, a redevelopment plan may terminate not more than 40 years following the date of original adoption, and loans, advances and indebtedness may be repaid during a period extending not more than 10 years following the date of termination of the redevelopment plan.

The Agency's Redevelopment Plan was amended to comply with AB 1290.

## **Future Initiatives**

Article XIII A, Article XIII B and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

## **Low and Moderate Income Housing**

Chapter 1337, Statutes of 1976, added Sections 33334.2 and 33334.3 to the law requiring redevelopment agencies to set aside 20% of all tax increment revenues allocated to redevelopment agencies from redevelopment project areas adopted after December 31, 1976, in a low- and moderate-income housing fund to be expended for authorized low- and moderate-income housing purposes. Amounts on deposit in the low- and moderate-income housing fund may also be applied to pay debt service on bonds, loans or advances of redevelopment agencies to provide financing for such low- and moderate-income housing purposes.

The Project Area is subject to the 20% set-aside requirement for low- and moderate-income housing. These revenues are therefore not included in the Tax Revenues securing the Loan Agreement.

## **Statement of Indebtedness**

Under the Redevelopment Law, the Agency must file with the County Auditor a statement of indebtedness for the Project Area by October 1 of each year. As described below, the statement of indebtedness controls the amount of tax increment revenue that will be paid to the Agency in each fiscal year.

Each statement of indebtedness is filed on a form prescribed by the State Controller and specifies, among other things: (i) the total amount of principal and interest payable on all loans, advances or indebtedness (including the Loan and all parity debt) (the "Debt"), both over the life of the Debt and for the current fiscal year, and (ii) the amount of "available revenue" as of the end of the previous fiscal year.

"Available Revenue" is calculated by subtracting the total payments on Debt during the previous fiscal year from the total revenues (both tax increment revenues and other revenues) received during the previous fiscal year, plus any carry-forward from the prior fiscal year. Available Revenue include amounts held by the Agency and irrevocably pledged to the payment of Debt other than amounts set aside for low- and moderate-income housing.

The County Auditor may only pay tax increment revenue to the Agency in any fiscal year to the extent that the total remaining principal and interest on all Debt exceeds the amount of available revenues as shown on the statement of indebtedness.

The statement of indebtedness constitutes prima facie evidence of the indebtedness of the Agency; however, the County Auditor may dispute the statement of indebtedness in certain cases. Section 33675 of the Redevelopment Law provides for certain time limits controlling any dispute of the statement of indebtedness, and allows for Superior Court determination of such dispute if it cannot be resolved by the Agency and the County. Any such action may only challenge the amount of the Debt as shown on the statement, and not the validity of any Debt or its related contract or expenditures. No challenge can be

made to payments to a trustee in connection with a bond issue or payments to a public agency in connection with payments by that public agency with respect to a lease or bond issue.

## CERTAIN LEGAL MATTERS

Quint & Thimmig LLP, San Francisco, California, Bond Counsel, will render an opinion with respect to the Bonds substantially in the form set forth in Appendix D to this Official Statement. Copies of this opinion will be available at the time of delivery of the Bonds. Certain legal matters will be passed upon by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Agency and the Authority by Dennis A. Barlow, Esq., City Attorney. The fees paid to Bond Counsel and Disclosure Counsel are contingent on the successful sale and delivery of the Bonds.

## RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, A Division of The McGraw-Hill Companies, Inc. ("S&P"), have assigned the ratings of "Aaa" and "AAA," respectively, to the Bonds, with the understanding that upon delivery of the Bonds, the Financial Guaranty Insurance Policy will be issued by the Financial Guaranty Insurer. Such ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from them as follows: Moody's, 99 Church Street, New York, NY 10007, (212) 553-0300 and S&P, 55 Water Street, New York, NY 10041, (212) 438-2124. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by a rating agency, if in the judgment of such rating agency, circumstances so warrant. Any downward revision or withdrawal of either of such ratings may have an adverse effect on the market price of the Bonds.

## UNDERWRITING

The Bonds are being purchased for reoffering by E. J. De La Rosa & Co., Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a purchase price of \$14,237,805.95 (being the aggregate principal amount thereof, plus net original issue premium of \$363,805.95, and less an Underwriter's discount of \$126,000.00). The Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the contract of purchase relating to the Bonds.

## CONTINUING DISCLOSURE

The Agency has covenanted in a Continuing Disclosure Certificate for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Agency by not later than March 31 following the end of the fiscal year (currently their fiscal years end on June 30) (the "Annual Report"), commencing with the fiscal year ending June 30, 2002, and to provide notices of the occurrence of certain enumerated events, if material.

The Annual Report will be filed by the Trustee as Dissemination Agent with each Nationally Recognized Municipal Securities Information Repository, and notices of material events will be filed by the Dissemination Agent with the Municipal Securities Rulemaking Board. The Annual Report and notices will also be filed with any entity designated by the State as a state repository for continuing disclosure

information. The specific nature of the information to be contained in the Annual Reports and the notice of material events is set forth in Appendix E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" hereto. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934.

The Agency has not undertaken any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

## LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity before or by any court, government agency, public board or body, pending or threatened against the Authority, affecting the existence of the Authority or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection of the Revenues of the Authority pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge of and lien on the Revenues and the funds and accounts established pursuant to the Indenture or contesting or affecting, as to the Authority, the validity or enforceability of the Act, the Bonds or the Indenture or the Loan Agreement, or contesting the completeness or accuracy of this Official Statement, or contesting the powers of the Authority or any authority for the issuance of the Bonds, or in any way contesting or challenging the consummation of the transactions contemplated hereby, or which might result in a material adverse change in the financial condition of the Authority or which might materially adversely affect the Revenues of the Authority; nor, to the best knowledge of the Authority, is there any known basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Act or the authorization, execution, delivery or performance by the Authority of the Bonds.

There is no action, suit, proceeding, inquiry or investigation, at law or in equity before or by any court, government agency, public board or body, pending or threatened against the Agency, affecting the existence of the Agency or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the execution and delivery of the Loan Agreement or the collection of the Tax Revenues or contesting or affecting, as to the Agency, the validity or enforceability of the Indenture or the Loan Agreement or contesting the exclusion from gross income of interest on the Bonds for federal income tax purposes, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the Agency, or in any way contesting or challenging the consummation of the transactions contemplated hereby, or which might result in a material adverse change in the financial condition of the Agency or which might materially adversely affect the Tax Revenues of the Agency; nor, to the best knowledge of the Agency, is there any known basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the finances or operations of the Agency. See "RISK FACTORS—Recent Litigation Regarding Increase in Assessed Valuation" herein.

## TAX MATTERS

In the opinion of Quint & Thimmig LLP, San Francisco, California, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations,


In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.


#### MISCELLANEOUS

All information contained in this Official Statement pertaining to the Agency, the City and the Authority have been furnished by the Agency, the City and the Authority, and the execution and delivery of this Official Statement have been duly authorized by the Authority and the Agency.

BURBANK PUBLIC FINANCING  
AUTHORITY

  
By /s/ Robert R. "Bud" Ovrom  
Executive Director

REDEVELOPMENT AGENCY OF THE  
CITY OF BURBANK

  
By /s/ Robert R. "Bud" Ovrom  
Executive Director





provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority and the Agency comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the Agency have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

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REDEVELOPMENT AGENCY OF THE CITY  
OF BURBANK

By /s/ Robert R. "Bud" Ovrom  
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## APPENDIX A

### SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

*The following is a brief summary of the provisions of the Indenture and the Loan Agreement not otherwise summarized in the text of this Official Statement. This summary is not intended to be definitive, and reference is made to the complete text of such documents for the complete terms thereof.*

#### DEFINITIONS

“Act” means Articles 1 through 4 (commencing with section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, as in existence on the Closing Date or as thereafter amended from time to time.

“Agency” means the Redevelopment Agency of the City of Burbank, a public body corporate and politic organized under the laws of the State, and any successor thereto.

“Agreement” means that certain Joint Exercise of Powers Agreement, dated as of March 16, 1993, by and between the City and the Agency, together with any amendments thereof and supplements thereto.

“Ambac Assurance” means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company, or any successor thereto or assignee thereof.

“Authority” means the Burbank Public Financing Authority, a joint exercise of powers authority duly organized and existing under the Agreement and the laws of the State.

“Board” means the Board of Directors of the Authority.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with section 6584), as in existence on the Closing Date or as thereafter amended from time to time.

“Bond Proceeds Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Bonds” means the Burbank Public Financing Authority Revenue Bonds, 2002 Series A (Redevelopment Agency of the City of Burbank—West Olive Redevelopment Project), authorized by and at any time Outstanding pursuant to the Bond Law and the Indenture.

“Bond Year” means each twelve-month period extending from December 2 in one calendar year to December 1 of the succeeding calendar year, both dates inclusive, provided that the first Bond Year with respect to the Bonds shall commence on the Closing Date and end on December 1, 2002.

“Business Day” means any day, other than a Saturday or Sunday or a day on which commercial banks in Los Angeles, California, or San Francisco, California, or the corporate trust office of the Trustee, are required or authorized by law to close or a day on which the New York Stock Exchange is closed.

“Business Inventory Tax Subvention” means all amounts payable by the State to the Agency under and pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with section 16110) of the California Government Code.

“Certificate of the Authority” means a certificate in writing signed by the Chair, Vice Chair, Executive Director, Treasurer or Secretary of the Authority, or by any other officer of the Authority duly authorized by the Board for that purpose.

“City” means the City of Burbank, a chartered city and municipal corporation organized and existing under the laws of the State.

“Closing Date” means the date of original issuance of the Bonds.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced in the Indenture) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated under the Code.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed by the Agency and dated the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, compensation, fees and expenses (including, but not limited to fees and expenses for legal counsel) of the Authority and the Trustee, compensation to any financial consultants or underwriters, legal fees and expenses and recording costs, rating agency fees, costs of preparation and reproduction of documents and costs of printing.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“County” means Los Angeles County, California.

“Debt Service Fund” means the fund by that name established pursuant to the Indenture.

“Defeasance Obligations” means:

(a) cash;

(b) non-callable Federal Securities (including State and Local Government Securities);

(c) direct obligations of the United States of America which have been stripped by the Department of the Treasury of the United States of America;

(d) CATS, TIGRS and similar securities;

(e) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America: (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) obligations of the Federal Financing Bank; (iv) participation certificates of the General Services Administration; (v) guaranteed Title XI financings of the U.S. Maritime Administration; (vi) New Communities debentures; (vii) U.S. government guaranteed public housing notes and bonds; and (viii) project notes and local authority bonds of the U.S. Department of Housing and Urban Development; and

(f) pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P; provided, however, pre-refunded municipal bonds rated by S&P only (i.e., no Moody’s rating) are acceptable if such pre-refunded municipal bonds were pre-refunded with cash, direct U.S. or U.S. guaranteed obligations or AAA rated pre-refunded municipal bonds.

“Event of Default” means, (a) with respect to the Bonds, any of the events described in the Indenture, and (b) with respect to the Loan Agreement, any of the events described in the Loan Agreement.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically

negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

*“Federal Securities”* means any of the following which at the time of investment are legal investments under the laws of the State for funds held by the Trustee (the Trustee entitled to rely on any direction from the Agency as a certification that such investments constitute such legal investments):

(i) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as “stripped” obligations and coupons; or

(ii) any of the following obligations of the following agencies of the United States of America. (a) direct obligations of the Export-Import Bank, (b) certificates of beneficial ownership issued by the Farmers Home Administration, (c) participation certificates issued by the General Services Administration, (d) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America.

*“Financial Guaranty Insurance Policy”* means the financial guaranty insurance policy issued by Ambac Assurance insuring the payment, when due, of the principal of and interest on the Bonds.

*“Fiscal Year”* means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority and the Agency as their official fiscal year period.

*“Indenture”* means the Indenture of Trust, dated as of October 1, 2002, by and between the Authority and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions thereof.

*“Independent Accountant”* means any accountant or firm of such accountants appointed by or acceptable to the Agency, and who, or each of whom: (a) is in fact independent and not under the domination of the Agency; (b) does not have any substantial interest, direct or indirect, with the Agency; and (c) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make annual or other audits of the books of or reports to the Agency.

*“Independent Redevelopment Consultant”* means any consultant or firm of such consultants appointed by or acceptable to the Agency, and who, or each of whom: (a) is judged by the Agency to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to the financing of redevelopment projects; (b) is in fact independent and not under the domination of the Agency; (c) does not have any substantial interest, direct or indirect, with the Agency, other than as original purchaser of the Bonds or any Parity Debt; and (d) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency

*“Information Services”* means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, NJ 07302, Attention: Editor, Mergent/FIS, Inc., 5250-77 Center Drive, Charlotte, NC 28217, Attention: Called Bond Dept., Kenny S&P, 55 Water Street, New York, NY 10041, Attention: Notification Department; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

*"Interest Account"* means the account by that name established and held by the Trustee pursuant to the Indenture.

*"Interest Payment Date"* means June 1 and December 1 in each year, beginning December 1, 2002, and continuing thereafter so long as any Bonds remain Outstanding.

*"Loan"* means the loan made by the Authority to the Agency pursuant to the Loan Agreement.

*"Loan Agreement"* means the Loan Agreement, dated as of October 1, 2002, by and among the Authority, the Agency and the Trustee, as originally entered into or as amended or supplemented pursuant to the provisions thereof.

*"Loan Payment Date"* means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date.

*"Loan Payments"* means the amounts payable by the Agency pursuant to the Loan Agreement and including any amounts payable upon a delinquency in the payment thereof.

*"Maximum Annual Debt Service"* means, as of the date of calculation, the largest amount obtained by totaling, for the current or any future Fiscal Year, the sum of (a) the amount of interest payable on the Loan and all outstanding Parity Debt in such Fiscal Year, assuming that principal thereof is paid as scheduled and that any mandatory sinking fund payments are made as scheduled, and (b) the amount of principal payable on the Loan and on all outstanding Parity Debt in such Fiscal Year, including any principal required to be prepaid by operation of mandatory sinking fund payments. For purposes of such calculation, there shall be excluded a pro rata portion of each installment of principal of any Parity Debt, together with the interest to accrue thereon, in the event and to the extent that the proceeds of such Parity Debt are deposited in an escrow fund from which amounts may not be released to the Agency unless the Tax Revenues for the current Fiscal Year, at least equal to one hundred twenty-five percent (125%) of the amount of Maximum Annual Debt Service which would result if the amount on deposit in such escrow fund was applied to redeem such Parity Debt.

*"Moody's"* means Moody's Investors Service and its successors.

*"Outstanding,"* when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore executed, issued and delivered by the Authority under the Indenture except (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of the Indenture; and (c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to the Indenture or any Supplemental Indenture.

*"Owner"* or *"Bond Owner,"* when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

*"Parity Debt"* means any loans, bonds, notes, advances or indebtedness payable from Tax Revenues on a parity with the Loan to finance the Redevelopment Project, issued or incurred pursuant to and in accordance with the Loan Agreement, or any Refunding Debt issued or incurred in accordance with the provisions of the Loan Agreement.

*"Parity Debt Instrument"* means any resolution, indenture of trust, trust agreement or other instrument authorizing the issuance of any Parity Debt.

*"Participating Underwriter"* shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

*"Permitted Investments"* means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein and are consistent with the Agency's investment policies, but only to the extent that the same are acquired at Fair Market Value:

(a) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

(b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: (i) Export-Import Bank; (ii) Farm Credit System Financial Assistance

Corporation, (iii) Farmers Home Administration, (iv) General Services Administration, (v) U.S. Maritime Administration; (vi) Small Business Administration, (vii) Government National Mortgage Association (GNMA), (viii) U.S. Department of Housing & Urban Development (PHA's), and (ix) Federal Housing Administration,

(c) senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation and senior debt obligations of other government-sponsored agencies approved by Ambac Assurance,

(d) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing no more than 360 days after the date of purchase, provided that ratings on holding companies are not considered as the rating of the bank;

(e) commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P, and which matures not more than 270 days after the date of purchase;

(f) investments in a money market fund rated "AAA<sub>m</sub>" or "AAA<sub>m</sub>-G" or better by S&P, including any money market fund for which the Trustee or an affiliate receives fees for investment advisory or other services to the fund;

(g) pre-refunded municipal obligations defined as follows Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based upon an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's and S&P or any successors thereto; or (ii)(A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) investment agreements approved in writing by Ambac Assurance, supported by appropriate opinions of counsel, with notice to S&P;

(i) shares in California Arbitrage Management Program (CAMP), a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended;

(j) the Local Agency Investment Fund of the State, created pursuant to section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name; and

(k) other forms of investments (including repurchase agreement) approved in writing by Ambac Assurance with notice to S&P

"Plan Limitations" means the limitations contained or incorporated in the Redevelopment Plan on (a) the aggregate principal amount of indebtedness payable from Tax Revenues which may be outstanding at any time, (b) the aggregate amount of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan, and (c) the period of time for establishing or repaying indebtedness payable from Tax Revenues.

"Principal Account" means the account by that name established and held by the Trustee pursuant to the Indenture

"Project Area" means the area of the West Olive Redevelopment Project as described in the Redevelopment Plan



*“Qualified Reserve Fund Credit Instrument”* means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the Loan Agreement provided that all of the following requirements are met: (i) the long-term credit rating of such bank or insurance company is in the highest rating category by Moody's and S&P, or the claims paying ability of such insurance company is rated in the highest rating category by A.M. Best & Company; (ii) such letter of credit or surety bond has a term of at least twelve (12) months; (iii) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Loan Agreement; and (iv) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the amounts available to repay the principal of and interest on the Loan.

*“Record Date”* means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month immediately preceding such Interest Payment Date.

*“Redemption Account”* means the account by that name established and held by the Trustee pursuant to the Indenture.

*“Redevelopment Fund”* means the fund by that name established and held by the Agency with respect to the Redevelopment Project pursuant to the Redevelopment Law.

*“Redevelopment Law”* means the Community Redevelopment Law of the State, constituting Part 1 of Division 24 of the California Health and Safety Code, and the acts amendatory thereof and supplemental thereto.

*“Redevelopment Plan”* means the Redevelopment Plan for the West Olive Redevelopment Project, approved by Ordinance No. 2590 enacted by the City Council of the City on December 21, 1976, as amended by Ordinance No. 3388 enacted by the City Council of the City on October 11, 1994, as further amended by Ordinance No. 3582 enacted by the City Council of the City on June 26, 2001, as amended by, together with any amendments thereof at any time duly authorized pursuant to the Redevelopment Law.

*“Redevelopment Project”* means the undertaking of the Agency pursuant to the Redevelopment Plan and the Redevelopment Law for the redevelopment of the Project Area.

*“Refunding Debt”* means any loan, bond, note, advance or indebtedness payable from Tax Revenues on a parity with the Loan; provided that the proceeds thereof are used to refund all or a portion of the Loan or any Parity Debt (and to pay costs of issuance of and fund a reserve fund for such Refunding Debt), and the debt service due on such Refunding Debt in any Fiscal Year in which the Loan or such Parity Debt is Outstanding is not greater than the debt service due on the portion of the Loan or any Parity Debt refunded with the proceeds of such Refunding Debt.

*“Registration Books”* means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

*“Report”* means a document in writing signed by an Independent Redevelopment Consultant and including: (a) a statement that the person or firm making or giving such Report has read the pertinent provisions of the Loan Agreement to which such Report relates; (b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and (c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

*“Request of the Authority”* means a request in writing signed by the Chair, Vice Chair, Executive Director, Treasurer or Secretary of the Authority (or the written designate of either) or by any other officer of the Authority duly authorized by the Board for that purpose.

*“Reserve Fund”* means the fund established and held by the Trustee pursuant to the Loan Agreement.

*“Reserve Requirement”* means, as of any calculation date, an amount equal to Maximum Annual Debt Service.

*“Revenues”* means (a) all amounts payable by the Agency pursuant to the Loan Agreement, derived from Tax Revenues, (b) any proceeds of Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture; (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture, and (d) any other investment income received under the Indenture.

*“S&P”* means Standard & Poor’s Credit Market Services, A Division of the McGraw-Hill Companies, Inc., and its successors.

*“Securities Depositories”* means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041-0099, Fax (212) 855-7232, 7233, 7234 or 7235; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

*“Senal Bonds”* means all Bonds other than Term Bonds.

*“Settlement Agreements”* means, collectively, (a) that certain agreement, dated October 25, 1977, by and among the County, the Agency and the City, and (b) that certain agreement, dated December, 1977, by and among the Los Angeles Community College District, the Agency and the City.

*“Sinking Account”* means the account by that name established and held by the Trustee pursuant to the Indenture

*“State”* means the State of California

*“Subordinate Debt”* means any loans, advances or indebtedness issued or incurred by the Agency in accordance with the requirements of the Loan Agreement, other than loans, advances or indebtedness involving the City as lender, which shall be subordinate to Subordinate Debt, which are either (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues, or (b) secured by a pledge of or lien upon the Tax Revenues which is subordinate to the pledge of and lien upon the Tax Revenues for the security of the Loan and any Parity Debt.

*“Special Fund”* means the fund established and held by the Agency pursuant to the Loan Agreement.

*“Supplemental Indenture”* means any indenture, agreement or other instrument hereafter duly executed by the Authority and the Trustee in accordance with the provisions of the Indenture.

*“Tax Revenues”* means all taxes annually allocated and paid to the Agency with respect to the Project Area pursuant to Article 6 of Chapter 6 (commencing with section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State including (a) all payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, and (b) all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to section 33334.3 of the Redevelopment Law, to the extent permitted to be applied to the payment of principal, interest and premium (if any) with respect to the Bonds and any Parity Debt; but excluding (i) beginning in Fiscal Year 1999-99 amounts required to be deposited into the Low and Moderate Income Housing Fund of the Agency as a repayment of amounts transferred therefrom pursuant to sections 33681 and 33681.5 of the Law for deposit in the Educational Revenue Augmentation Fund created pursuant to section 97.03 of the California Revenue and Taxation Code, (ii) amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to section 33334.3 of the Redevelopment Law for increasing and improving the supply of low and moderate income housing to the extent not permitted to be applied to the payment of principal, interest and premium (if any) with respect to the Bonds and/or any Parity Debt, (iii) statutory pass-through obligations (if any), which constitute amounts payable by the Agency to affected taxing entities except and to the extent such amounts so payable are payable on a basis subordinate to the payment of the Bonds and any Parity Debt, (iv) the Business Inventory Tax Subvention, and (v) amounts payable by the Agency under the Settlement Agreements.

*“Term Bonds”* means the Bonds maturing on December 1, 2022, and December 1, 2026, payable from mandatory Sinking Account payments.

*“Trust Office”* means the principal corporate trust office of the Trustee in Los Angeles, California; *provided, however,* that the Trustee may from time to time designate other offices for purposes of payment, transfer, exchange or registration of Bonds.

*“Trustee”* means Wells Fargo Bank, National Association, in its capacity as trustee, and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Indenture

*“2002 Bond Proceeds Account of the Redevelopment Fund”* means the account by that name established by the Loan Agreement as an account within the Redevelopment Fund.

*“Written Request of the Agency”* or *“Written Certificate of the Agency”* means a request or certificate, in writing, signed by the Chair, Vice Chair, Executive Director, Assistant Executive Director, Deputy Executive Director, or Treasurer of the Agency, or by any other officer of the Agency duly authorized by the Agency for that purpose.

## INDENTURE

### Application of Proceeds of Sale of Bonds

Upon the receipt of payment for the Bonds on the Closing Date, the Trustee shall deposit the proceeds of sale thereof in the Bond Proceeds Fund

### Bond Proceeds Fund

The Trustee shall establish and maintain a separate fund to be known as the “Bond Proceeds Fund” into which shall be deposited the proceeds of sale of the Bonds. The Trustee shall disburse all amounts in the Bond Proceeds Fund on the Closing Date as follows: (a) the Trustee shall deposit an amount in the Costs of Issuance Fund for the payment of Costs of issuance; (b) the Trustee shall deposit an amount in the Reserve Fund the amount required to be deposited therein; (c) the Trustee shall transfer to the Agency the for deposit by the Agency in the 2002 Bond Proceeds Account of the Redevelopment Fund amounts required to be deposited therein in accordance with the Loan Agreement, and (d) the Trustee shall transfer to the Escrow Bank for deposit in the Escrow Fund in accordance with the Escrow Agreement amounts required for the refunding of the Prior Bonds.

### Costs of Issuance Fund

The moneys in the Costs of Issuance Fund shall be used to pay Costs of Issuance from time to time upon receipt of a Request of the Authority, which Request shall specify the amount to be paid, the name and address (if not otherwise provided) of the payee, and shall certify that the amount to be paid is a proper charge on the Costs of Issuance Fund. On the date which is six months following the Closing Date, or upon the earlier receipt by the Trustee of a Request of the Authority stating that all Costs of Issuance have been paid, the Trustee shall close the Costs of Issuance Fund and shall transfer all amounts therein to the Debt Service Fund as a credit for Loan Payments to be made by the Agency under the Loan Agreement, to be applied on a pro rata basis

### Pledge of Revenue: Assignment of Rights

The Bonds shall be secured by a first lien on and pledge (which shall be effected in the manner and to the extent provided in the Indenture) of all of the Revenues and a pledge of all of the moneys in the Interest Account, the Principal Account and the Sinking Account, including all amounts derived from the investment of such moneys. The Bonds shall be equally secured by a pledge, charge and lien upon the Revenues and such moneys without priority for number, date of Bonds, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds and any premiums upon the redemption of any thereof shall be and are secured by an exclusive pledge, charge and lien upon the Revenues and such moneys. So long as any of the Bonds are Outstanding, the Revenues and such moneys shall not be used for any other purpose, except that out of the Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture.

The Authority transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority in the Loan Agreement. Such

assignment to the Trustee is to the Trustee solely in its capacity as Trustee under the Indenture and is subject to the provisions of the Indenture and, in any action taken by the Trustee pursuant to such assignment, the Trustee shall be entitled to the protections and limitations from liability afforded it under the Indenture. The Trustee shall be entitled to and shall receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and, subject to the provisions of the Indenture, shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the Agency under the Loan Agreement.

#### **Receipt Deposit and Application of Revenues**

All Revenues shall be promptly deposited by the Trustee upon receipt thereof in the Debt Service Fund.

Moneys in the Debt Service Fund shall be transferred by the Trustee in the following amounts, at the following times, to the following respective special accounts, which are established in the Debt Service Fund, and in the following order of priority:

(a) Interest Account. On or before the fifth Business Day preceding each Interest Payment Date, the Trustee shall withdraw from the Debt Service Fund and transfer to the Interest Account an amount which when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Indenture).

(b) Principal Account. On or before the fifth Business Day preceding December 1 in each year, the Trustee shall withdraw from the Debt Service Fund and transfer to the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the principal becoming due and payable on the Outstanding Serial Bonds and maturing Term Bonds on the next December 1. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next December 1 on all of the Outstanding Serial Bonds and maturing Term Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Serial Bonds and maturing Term Bonds as it shall become due and payable.

(c) Sinking Account. No later than the fifth Business Day preceding each December 1 on which any Outstanding Term Bonds are subject to mandatory redemption, the Trustee shall withdraw from the Debt Service Fund and transfer to the Sinking Account an amount which, when added to the amount then contained in the Sinking Account, will be equal to the aggregate principal amount of the Term Bonds required to be redeemed on such December 1. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of paying the principal of the Term Bonds as it shall become due and payable upon redemption or purchase.

(d) Redemption Account. On or before the fifth Business Day preceding any date on which Bonds are to be redeemed, the Trustee shall withdraw from the Debt Service Fund and deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the Bonds to be redeemed on such date, taking into account any funds then on deposit in the Redemption Account. The Trustee shall also deposit in the Redemption Account any other amounts received by it from the Authority designated by the Authority in writing to be deposited in the Redemption Account. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds to be redeemed, on the respective dates set for such redemption.

#### **Deposit and Investment of Moneys in Funds**

Moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Redemption Account, the Reserve Fund and the Costs of Issuance Fund shall be invested by the Trustee in Permitted Investments as directed by the Authority in the Written Request of the Authority filed with the Trustee on the

Closing Date and thereafter at least two (2) Business Days in advance of the making of such investments. In the absence of any such Written Request of the Authority, the Trustee shall invest any such moneys in Permitted Investments described in clause (c) of the definition thereof, which by their terms mature prior to the date on which such moneys are required to be paid out under the Indenture. The Trustee shall be entitled to rely conclusively upon the written instructions of the Authority directing investments in Permitted Investments as to the fact that each such investment is permitted by the laws of the State, and shall not be required to make further investigation with respect thereto. With respect to any restrictions which embody legal conclusions (e.g., the existence, validity and perfection of security interests in collateral), the Trustee shall be entitled to rely conclusively on an opinion of counsel or upon a representation of the provider of such Permitted Investment obtained at the Authority's expense. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee under the Indenture shall be deposited in the Interest Account. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made at the direction of the Authority or otherwise made pursuant to the Indenture. For investment purposes only, the Trustee may commingle the funds and accounts administered by the Trustee under the Indenture and under the Loan Agreement, but shall account for each separately.

All moneys held by the Trustee shall be held in trust, but need not be segregated from other funds unless specifically required by the Indenture. Except as specifically provided in the Indenture, the Trustee shall not be liable to pay interest on any moneys received by it, but shall be liable only to account to the Authority for earnings derived from funds that have been invested.

#### **Certain Covenants**

*Punctual Payments.* The Authority shall punctually pay or cause to be paid the principal and interest and the maturity amount and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

*Extension of Payment of Bonds.* The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchaser of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal or maturity amount, as applicable, of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

*Against Encumbrances.* The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

*Accounting Records and Financial Statements.* The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by the Trustee relating to the proceeds of Bonds, the Revenues, the Loan Agreement and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority and the Agency, during regular business hours with reasonable prior notice. In addition, the Authority shall cause the Agency to transmit its final annual budget to the Trustee as soon as each such budget has been approved. The Trustee shall have no duty to review such budgets or monitor or enforce the receipt of such budgets.

*No Additional Obligations.* The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

*Loan Agreement.* The Trustee, as assignee of the Authority's rights pursuant to the Indenture, shall promptly collect all amounts due from the Agency pursuant to the Loan Agreement and, subject to the provision of the

Indenture, shall enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority thereunder and for the enforcement of all of the obligations of the Agency thereunder.

The Authority and the Agency may at any time amend or modify the Loan Agreement, but only if the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding to such amendment or modification, if such amendment or modification is for any one or more of the following purposes

(a) to add to the covenants and agreements of the Agency contained in the Loan Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the Agency so long as such limitation or surrender of such rights or powers shall not materially adversely affect the Owners of the Bonds, or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Loan Agreement, or in any other respect whatsoever as the Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds; or

(c) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds; or

(d) comply with the requirements of the provider of a Qualified Reserve Fund Credit Instrument.

*Continuing Disclosure.* Pursuant to the Loan Agreement, the Agency has undertaken all responsibility for compliance with continuing disclosure requirements and the Authority shall have no liability to the holders of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default, however, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

#### **Amendments**

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption without consent of any Bond Owners, to the extent permitted by law, but only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Authority in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers reserved to or conferred upon the Authority so long as such limitation or surrender of such rights or powers shall not materially adversely affect the Owners of the Bonds; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds, or

(c) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds.

Except as set forth above, the Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may only be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Owners of a majority of the Bonds are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal and interest and maturity amount or redemption premiums, if any, at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of the Bonds required for the written consent to any

such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

### **Effect of Supplemental Agreement**

From and after the time any Supplemental Indenture becomes effective, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties thereto and all Owners of Outstanding Bonds, as the case may be, shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

### **Events of Default**

The following events shall be Events of Default under the Indenture:

(a) Default by the Authority in the due and punctual payment of the principal amount and the maturity amount or redemption premium (if any) of any Bond, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise.

(b) Default by the Authority in the due and punctual payment of any installment of interest on any Bond.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than twenty-five percent (25%) of the Bonds; provided that such default shall not constitute an Event of Default under the Indenture if the Authority commences to cure such default within said thirty (30) day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time.

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

### **Remedies and Rights of Bond Owners**

Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal and interest and maturity amount and premium, if any, on the Outstanding Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of at least twenty-five percent (25%) of the Bonds, and if the Trustee has been indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee, the Bond Owners is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bond Owners under the Indenture or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

## Application of Revenues and Other Funds After Default

All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid -

*First*, to the payment of the fees, costs and expenses of the Trustee, including reasonable compensation to its agents, attorneys and counsel; and

*Second*, to the payment of the whole amount of principal of and interest on the Bonds then due and unpaid, with interest on overdue installments of principal and interest, to the extent permitted by law at the rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) *first*, to the payment of interest on overdue installments of principal and interest, on a *pro rata* basis in the event that the available amounts are insufficient to pay all such interest in full.

(b) *second*, to the payment of all installments of interest on the Bonds then due and unpaid, on a *pro rata* basis in the event that the available amounts are insufficient to pay all such interest in full, and

(c) *third*, to the payment of principal of all installments of the Bonds then due and unpaid, on a *pro rata* basis in the event that the available amounts are insufficient to pay all such principal in full.

## Limited Liability of Authority

Notwithstanding anything in the Indenture contained, the Authority shall not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the principal and interest and maturity amount of the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants contained in the Indenture (except to the extent any such covenants are expressly payable under the Indenture from the Revenues or otherwise from amounts payable under the Loan Agreement). The Authority may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose.

The Bonds shall be revenue bonds, payable exclusively from the Revenues and other funds as in the Indenture provided. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the principal of and interest on and maturity amount of the Bonds and premium (if any) on the Bonds. The Owners of the Bonds shall never have the right to compel the forfeiture of any property of the Authority. The principal of and interest on the Bonds, and any premiums upon the redemption of any thereof, shall not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds pledged to the payment thereof as in the Indenture provided.

## Discharge of Indenture

If the Authority shall pay and discharge the entire indebtedness on all Bonds or any portion thereof in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on all or the applicable portion of Outstanding Bonds, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee or another fiduciary, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, is fully sufficient to pay all or the applicable portion of Outstanding Bonds, including all principal, interest and redemption premiums, or,

(c) by irrevocably depositing with the Trustee or another fiduciary, in trust, Defeasance Obligations in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available



moneys then on deposit in the funds and accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds or the applicable portion of (including all principal, interest and redemption premiums) at or before maturity;

and, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the election of the Authority, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the Authority under the Indenture shall cease and terminate with respect to all Outstanding Bonds or, if applicable, with respect to that portion of the Bonds which has been paid and discharged, except only (a) the obligation of the Trustee to transfer and exchange Bonds under the Indenture, (b) the obligations of the Authority under the Indenture, and (c) the obligation of the Authority to pay or cause to be paid to the Owners, from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee all fees, expenses and costs of the Trustee. In the event the Authority shall, pursuant to the foregoing provision, pay and discharge any portion or all of the Bonds then Outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge, including, without limitation, selection by lot of Bonds of any maturity of the Bonds that the Authority has determined to pay and discharge in part.

To accomplish defeasance the Authority shall cause to be delivered (i) a report of an Independent Accountant's verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or earlier redemption date ("Verification"), (ii) an escrow deposit agreement, and (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under the Indenture; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Authority and the Trustee.

#### **Payment Procedure Pursuant to Financial Guaranty Insurance Policy**

As long as the Financial Guaranty Insurance Policy shall be in full force and effect, the Trustee agrees to comply with the following provisions:

(a) At least one (1) day prior to each Interest Payment Date, the Trustee will determine whether there will be sufficient moneys in the funds and accounts maintained by the Trustee under the Indenture to pay the principal of or interest on the Bonds on such Interest Payment Date. If the Trustee determines that there will be insufficient moneys in such funds or accounts, the Trustee shall so notify Ambac Assurance. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. If the Trustee has not so notified Ambac Assurance at least one (1) day prior to an Interest Payment Date, Ambac Assurance will make payments of principal of or interest on the Bonds on or before the first (1st) day next following the date on which Ambac Assurance shall have received notice of nonpayment from the Trustee.

(b) The Trustee shall, after giving notice to Ambac Assurance as provided in (a) above, make available to Ambac Assurance and, at Ambac Assurance's direction, to the United States Trust Company of New York, as insurance trustee for Ambac Assurance or any successor insurance trustee (the "Insurance Trustee"), the Registration Books and all records relating to the funds and accounts maintained by the Trustee under the Indenture.

(c) The Trustee shall provide Ambac Assurance and the Insurance Trustee with a list of Owners entitled to receive principal or interest payments from Ambac Assurance under the terms of the Financial Guaranty Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Owners entitled to receive full or partial interest payments from Ambac Assurance and (ii) to pay principal of Bonds surrendered to the Insurance Trustee by the Owners entitled to receive full or partial principal payments from Ambac Assurance.

(d) The Trustee shall, at the time it provides notice to Ambac Assurance pursuant to (a) above, notify Owners entitled to receive the payment of principal or interest from Ambac Assurance (i) as to the fact of such entitlement, (ii) that Ambac Assurance will remit to them all or a part of the interest payments next coming due upon proof of Owner entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the Owner's right to payment, (iii) that should they be entitled to receive full payment of principal from Ambac Assurance, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the

name of Ambac Assurance) for payment to the Insurance Trustee, and not the Trustee and (iv) that should they be entitled to receive partial payment of principal from Ambac Assurance, they must surrender their Bonds for payment first to the Trustee who shall note on such Bonds the portion of the principal paid by the Trustee and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Trustee has notice that any payment of principal or interest with respect to a Bond which has become Due for Payment (as such term is defined in the Financial Guaranty Insurance Policy) and which is made to an Owner by or on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time Ambac Assurance is notified, notify all Owners that in the event that any Owner's payment is so recovered, such Owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to Ambac Assurance its records evidencing the payments of principal and interest with respect to the Bonds which have been made by the Trustee and subsequently recovered from Owners and the dates on which such payments were made.

(f) In addition to those rights granted Ambac Assurance under the Indenture, Ambac Assurance shall, to the extent it makes payment of principal or interest with respect to Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Financial Guaranty Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note Ambac Assurance's rights as subrogee on the Registration Books upon receipt from Ambac Assurance of proof of the payment of interest with respect thereto to the Owners, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note Ambac Assurance's rights as subrogee on the Registration Books upon surrender of the Bonds by the Owners thereof together with proof of the payment of principal thereof.

#### **Provisions Relating to the Financial Guaranty Insurance Policy and Ambac Assurance**

Notwithstanding any other provision of the Indenture, no removal or termination of the Trustee shall take effect until a successor, reasonably acceptable to Ambac Assurance, shall be appointed.

The Trustee may be removed at any time, at the request of Ambac Assurance with the consent of the Agency, for any breach of the trust set forth in the Indenture. Ambac Assurance shall receive written notice from the Authority prior to the effective date of any Trustee resignation.

(a) Any provision of the Indenture expressly recognizing or granting rights in or to Ambac Assurance may not be amended in any manner which affects the rights of Ambac Assurance under the Indenture without the prior written consent of Ambac Assurance

(b) Unless otherwise provided in the Indenture, Ambac Assurance's consent shall be required in addition to Owner consent, when required, for the following purposes: (i) execution and delivery of any amendment, supplement or change to or modification of the Indenture or any Lease Agreement, (ii) removal of the Trustee and selection and appointment of any successor trustee; and (iii) initiation or approval of any action not described in (i) or (ii) of this paragraph (b) which requires Owner consent.

(c) Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, Ambac Assurance shall, after payment of principal and interest then due, if any, be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee, after providing the Trustee with indemnities to its satisfaction, for the benefit of the Owners under the Indenture and Ambac Assurance shall also be entitled to approve all waivers of Events of Default.

(d) The rights granted to Ambac Assurance under the Indenture shall be effective only so long as Ambac Assurance is not in default of its obligations under the Financial Guaranty Insurance Policy

## LOAN AGREEMENT

### Redevelopment Fund

On the Closing Date the Agency shall deposit into the 2002 Bond Proceeds Account of the Redevelopment Fund a portion of the Loan proceeds. Amounts on deposit in the 2002 Bond Proceeds Account of the Redevelopment Fund shall be derived solely from the proceeds of the Loan deposited therein pursuant to the Loan Agreement and from the interest, profits and other income received from the investment of moneys in the 2002 Bond Proceeds Account of the Redevelopment Fund. Amounts in the 2002 Bond Proceeds Account of the Redevelopment Fund shall be used solely in the manner provided by the Redevelopment Plan for the benefit of the Redevelopment Project. Upon completion of the project or projects for which proceeds of the Bonds were deposited in the 2002 Bond Proceeds Account of the Redevelopment Fund, any remaining amounts shall be transferred by the Agency to the Trustee for deposit in the Debt Service Fund and applied as a credit against the debt service requirements of the Bonds.

### Reserve Fund

The Reserve Fund shall be held by the Trustee in trust for the benefit of the Authority and the Owners of the Bonds. Amounts initially deposited in the Reserve Fund shall be derived from the proceeds of the Bonds deposited therein pursuant to the Indenture. The amount on deposit in the Reserve Fund shall be maintained at the Reserve Requirement at all times prior to the payment of the Loan in full pursuant to the Loan Agreement, except to the extent required for the purposes set forth in the Loan Agreement.

In the event that the Agency shall fail to deposit with the Trustee the full amount required to be deposited pursuant to the Loan Agreement, the Trustee shall withdraw from the Reserve Fund and transfer to the Interest Account and the Principal Account, in such order, the difference between the amount required to be deposited pursuant to the Loan Agreement and the amount actually deposited by the Agency. In the event that the amount on deposit in the Reserve Fund shall at any time be less than the Reserve Requirement, the Trustee shall promptly notify the Agency of the amount required to be deposited therein to restore the balance to the Reserve Requirement, such notice to be given by telephone, telecopy or other form of telecommunication, promptly confirmed in writing.

In the event that the amount on deposit in the Reserve Fund on any Interest Payment Date exceeds the Reserve Requirement, the Trustee shall withdraw from the Reserve Fund and deposit to the Debt Service Fund all amounts in excess of the Reserve Requirement, and credit such amounts towards the deposit then required to be made by the Agency pursuant to the Loan Agreement.

The Agency may fund all or a portion of the Reserve Requirement with one or more Qualified Reserve Fund Credit Instruments. Upon deposit of any Qualified Reserve Fund Credit Instrument with the Trustee, the Trustee shall pay to the Agency from amounts in the Reserve Fund an amount equal to the principal of the Qualified Reserve Fund Credit Instrument.

In any case where the Reserve Fund is funded with a combination of cash and a Qualified Reserve Fund Credit Instrument, the Trustee shall deplete all cash balances before drawing on the Qualified Reserve Fund Credit Instrument. With regard to replenishment, any available moneys provided by the Agency shall be used first to reinstate the Qualified Reserve Fund Credit Instrument and second, to replenish the cash in the Reserve Fund. In the event the Qualified Reserve Fund Credit Instrument is drawn upon, the Agency shall make payment of interest on amounts advanced under the Qualified Reserve Fund Credit Instrument after making any payments pursuant to the Loan Agreement.

In the event the Qualified Reserve Fund Credit Instrument will lapse or expire, the Agency shall draw upon such Qualified Reserve Fund Credit Instrument prior to its lapsing or expiring, make deposits from available Tax Revenues to the Reserve Fund to increase the amount on deposit therein to the Reserve Requirement or substitute such Qualified Reserve Fund Credit Instrument with a Qualified Reserve Fund Credit Instrument that satisfies the requirements of this paragraph.

## **Parity Debt**

In addition to the Loan, the Agency may issue or incur Parity Debt in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any Parity Debt subject to the following specific conditions which are made conditions precedent to the issuance and delivery of such Parity Debt issued under the Loan Agreement.

(a) No Event of Default shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in the Loan Agreement,

(b) The Tax Revenues received or to be received for the then current Fiscal Year based on the most recent taxable valuation of property in the Project Area as evidenced in a written document from an appropriate official of the County, exclusive of State subventions, shall be at least equal to one hundred twenty-five percent (125%) of Maximum Annual Debt Service on the Loan and Parity Debt which will be outstanding immediately following the issuance of such Parity Debt, excepting therefrom Maximum Annual Debt Service on any Refunding Debt,

(c) The aggregate amount of the principal of and interest on the Loan, any Parity Debt and any Subordinate Debt coming due and payable following the issuance of such Parity Debt shall not exceed the maximum amount of Tax Revenues permitted under the Tax Increment Plan Limit to be allocated and paid to the Agency following the issuance of such Parity Debt;

(d) Interest on such Parity Debt shall be payable on June 1 and December 1 in each year in which interest is payable on such Parity Debt, except the first twelve month period, during which interest may be payable on any June 1 or December 1;

(e) Principal on such Parity Debt shall be payable on December 1 in any year in which principal is payable,

(f) Money (and/or a Qualified Reserve Fund Credit Instrument) shall be deposited in a reserve account from the proceeds of the sale of such Parity Debt in an amount sufficient to provide a total amount held for the Loan and such Parity Obligations to equal the Reserve Requirement; and

(g) The Agency shall deliver to the Trustee a Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth in subsections (a), (b), (c), (d), (e) and (f) above have been satisfied.

## **Subordinate Debt**

In addition to the Loan and Parity Debt, the Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency. The Agency may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

(a) The Agency shall be in compliance with all covenants set forth in the Loan Agreement and the proceedings for the issuance of any Parity Debt,

(b) If, and to the extent, such Subordinate Debt is payable from Tax Revenues, then the aggregate amount of the principal of and interest to accrue on the Loan any Parity Debt and all Subordinate Debt coming due and payable following the issuance of such Subordinate Debt shall not exceed the maximum amount of Tax Revenues permitted under the Tax Increment Plan Limit, and

(c) The Agency shall deliver to the Trustee a written certificate of the Agency certifying that the conditions precedent to the issuance of such Subordinate Debt set forth in subsections (a) and (b) above have been satisfied.

## **Pledge of Tax Revenues**

The Loan and all Parity Debt shall be equally secured for the benefit of the Authority and the Owners of the Bonds by a pledge of, security interest in and lien on all of the Tax Revenues, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The Tax Revenues are allocated in their entirety to the payment of the principal of and interest on the Loan and all Parity Debt. Except for the Tax Revenues,

no funds or properties of the Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or premium (if any) on the Loan

### **Special Fund; Deposit of Tax Revenues**

The Agency shall deposit all of the Tax Revenues received in any Bond Year in the Special Fund (and in any applicable special fund created by any Parity Debt Instrument) promptly upon receipt thereof by the Agency, until such time (if any) during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred to the Trustee pursuant to the Loan Agreement (and any applicable Parity Debt Instrument), and (except as may be otherwise provided in any Parity Debt Instrument) any Tax Revenues received during such Bond Year in excess of such amounts shall be released from the pledge and lien under the Loan Agreement and may be used for any lawful purposes of the Agency. In the event the Agency shall at any time determine that there will be insufficient Tax Revenues to so deposit timely and fully all amounts then required pursuant to the Loan Agreement (and any applicable Parity Debt Instrument), the Agency shall so deposit the Tax Revenues which are available pro rata based on the amounts then required pursuant to the Loan Agreement (and any applicable Parity Debt Instrument). Prior to the payment in full of the principal of and interest and prepayment premium (if any) on the Loan and all Parity Debt and the payment in full of all other amounts payable under the Loan Agreement and under any Parity Debt Instrument, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except only as provided in the Loan Agreement and in any Parity Debt Instrument, and such moneys shall be used and applied as set forth in the Loan Agreement and in any Parity Debt Instrument.

### **Transfer of Tax Revenues to Trustee**

The Agency shall withdraw from the Special Fund and transfer to the Trustee the following amounts at the following times:

(a) Payment Amount. No later than each Loan Payment Date, the Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Debt Service Fund the amount specified for such date, after taking into account any amount then on deposit in the Debt Service Fund allocable thereto, equal to the payment amount on the Loan becoming due and payable on such Loan Payment Date.

(b) Reserve Fund Deposits. In the event that (i) the Trustee shall notify the Agency that the amount on deposit in the Reserve Fund is less than the Reserve Requirement, or (ii) any Qualified Reserve Fund Credit Instrument shall expire and not be replaced, or (iii) the amount in any reserve account shall be less than Maximum Annual Debt Service on the related Parity Debt, the Agency shall immediately withdraw from the Special Fund and transfer (x) in the case of any event described in the preceding clause (i) or (ii), to the Trustee for deposit in the Reserve Fund an amount of money necessary to maintain the Reserve Requirement in the Reserve Fund, or (y) in the case of an event described in the preceding clause (iii), to the trustee for such Parity Debt for deposit in the reserve account established for such Parity Debt an amount of money necessary to maintain an amount equal to Maximum Annual Debt Service on such Parity Debt in such reserve fund. No such transfer and deposit need be made to the Reserve Fund so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement.

Notwithstanding the foregoing, no such transfer and deposit need to be made upon the occurrence of a default or failure to pay under any Qualified Reserve Fund Credit Instrument, or any termination thereof prior to its stated termination date, except as a result of a default by the Agency.

(c) Surplus. Except as may be otherwise provided in any Parity Debt Instrument, the Agency shall not be obligated to deposit in the Special Fund in any Bond Year an amount of Tax Revenues which, together with other available amounts in the Special Fund, exceeds the amounts required to be transferred to the Trustee in such Bond Year. In the event that for any reason whatsoever any amounts shall remain on deposit in the Special Fund on any May 2 after making all of the transfers theretofore required to be made pursuant to the preceding clause (a) and pursuant to any Parity Debt Instrument, the Agency may withdraw such amounts from the Special Fund, to be used for any lawful purposes of the Agency.

### **Investment of Moneys; Valuation of Investments**

All moneys in the Special Fund shall be invested by the Agency solely in Permitted Investments which are also authorized under the Redevelopment Law, maturing not later than the respective dates on which such moneys are

estimated by the Agency to be required for application to the Redevelopment Project or required to be deposited with the Trustee. All moneys in the 2002 Bond Proceeds Account of the Redevelopment Fund shall be invested by the Agency in investments authorized under the Redevelopment Law.

### **Certain Covenants**

*Punctual Payment.* The Agency will punctually pay or cause to be paid the principal of and interest on the Loan together with any prepayment premiums thereon in strict conformity with the terms of the Loan Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Loan Agreement.

*Limitation on Superior Debt.* The Agency covenants that, so long as the Loan remains unpaid, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any loans, advances or indebtedness, which is in any case secured by a lien on all or any part of the Tax Revenues which is superior to or on a parity with the lien established under the Loan Agreement for the security of the Loan, excepting only any Parity Debt issued pursuant to the Loan Agreement.

*Payment of Claims.* The Agency will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Tax Revenues or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Loan. Nothing contained in the Loan Agreement shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said claims.

*Books and Accounts; Financial Statements.* The Agency will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency in which complete and correct entries shall be made of all transactions relating to the Redevelopment Project, the Tax Revenues, the Special Fund, the Redevelopment Fund and the Low and Moderate Income Housing Fund, and the accounts therein. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Authority, the Trustee (which shall have no duty to so inspect) and the Owners of any Bonds then Outstanding, or their representatives authorized in writing.

The Agency will cause to be prepared and filed with the Trustee annually, within one hundred and eighty (180) days after the close of each Fiscal Year so long as any of the Bonds allocable to the Loan are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements from the Special Fund, the Redevelopment Fund and the Low and Moderate Income Housing Fund and the accounts therein, and the financial condition of the Project Area, including the balances in all such Funds and Accounts relating to the Project Area, as of the end of such Fiscal Year. The Agency will furnish a copy of such statements, upon reasonable request, to any Bond Owner. The Trustee shall have no duty to review such financial statements or monitor or enforce receipt thereof.

*Payments of Taxes and Other Charges.* The Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or the properties then owned by the Agency in the Project Area, when the same shall become due. Nothing contained the Loan Agreement shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said taxes, assessments or charges. The Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Redevelopment Project or any part thereof.

*Taxation of Leased Property.* All amounts derived by the Agency pursuant to section 33673 of the Redevelopment Law with respect to the lease of property for redevelopment shall be treated as Tax Revenues for all purposes of the Loan Agreement, and shall be paid to the Agency for deposit in the Special Fund.

*Disposition of Property.* The Agency will not participate in the disposition of any land or real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of the Loan Agreement) so that such disposition shall, when taken together with other such dispositions, aggregate more than ten percent (10%) of the land area in the Project Area unless such disposition is permitted as provided in the Loan Agreement. If the Agency proposes to participate in such a disposition, it shall thereupon appoint an Independent Redevelopment Consultant to report on the effect of said proposed disposition. If the Report of the Independent Redevelopment Consultant concludes that the security of

the Loan or the rights of the Authority, the Bond Owners and the Trustee will not be materially impaired by said proposed disposition, the Agency may thereafter make such disposition. If said Report concludes that such security will be materially impaired by said proposed disposition, the Agency shall disapprove said proposed disposition.

*Maintenance of Tax Revenues.* The Agency shall comply with all requirements of the Redevelopment Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County of Los Angeles and (in the case of supplemental revenues and other amounts payable by the State of California) appropriate officials of the State of California. The Agency shall not enter into any agreement with the County of Los Angeles or any other governmental unit which would have the effect of reducing the amount of Tax Revenues available to the Agency for payment of the Loan. Nothing in the Loan Agreement is intended or shall be construed in any way to prohibit or impose any limitations on the entering into by the Agency of Subordinate Debt.

*Continuing Disclosure.* The Agency covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Loan Agreement, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default, however, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Agency to comply with its obligations under the Loan Agreement.

*Annual Review of Tax Revenues.* In order to assure that the aggregate amount of Tax Revenues which may be divided and allocated to the Agency pursuant to the Redevelopment Plan is not reached prior to the final maturity of the Bonds, the Agency shall annually, at the end of each Fiscal Year, compare the cumulative Tax Revenues received through the end of such Fiscal Year to the amount for such Fiscal Year set forth in table set forth in the main body of this Official Statement under the caption "SECURITY FOR THE BONDS AND THE LOAN—Annual Review of Tax Revenues."

If the cumulative Tax Revenues received through the end of such Fiscal Year are less than the amount set forth in such table, the Agency may either (1) apply such excess to the amount set forth in the table for the next succeeding Fiscal Year, or (2) cause the Trustee to release an equal amount from the moneys held by the Trustee in the Defeasance Escrow Account (hereinafter defined) if any.

If the cumulative Tax Revenues received through the end of such Fiscal Year exceed the amount set forth in such table as adjusted by any excess as set forth above, the Agency shall cause such excess amount to be deposited in a Trustee-held escrow account (the "Defeasance Escrow Account"), for investment in Defeasance Obligations. Amounts in the Defeasance Escrow Account, unless released as set forth above, shall only be used to prepay Bonds or pay scheduled debt service on the Bonds. At such time as amounts on deposit in the Defeasance Escrow Account are sufficient to redeem all outstanding Bonds include accrued interest thereon, such amounts shall be applied, on the next succeeding date on which Bonds can be redeemed without premium, to the optional redemption thereof. No further deposits to the Defeasance Escrow Account shall be required when the Defeasance Obligations therein are sufficient to pay all remaining debt service on the Bonds. Interest earnings on amounts on deposit in the Defeasance Escrow Account shall be transferred, as received, to the Agency to be used for any legal purpose of the Agency.

#### **Events of Default and Acceleration of Maturities**

The following events shall constitute Events of Default under the Loan Agreement:

(a) Failure by the Agency to pay the principal of or interest or prepayment premiums (if any) on the Loan or any Parity Debt when and as the same shall become due and payable; provided, however, that the Agency shall not be deemed to have defaulted in the payment of the principal of or interest or prepayment premiums (if any) on the Loan to the extent that all available Tax Revenues are applied for that purpose and so long as the Lease Agreement is in full force and effect.

(b) Failure by the Agency to observe and perform any of the covenants, agreements or conditions on its part contained in the Loan Agreement, other than as referred to in the preceding clause (a), for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the Agency by the Trustee; provided, however, that if in the reasonable opinion of the Agency the failure stated in such notice can be corrected, but not within such thirty (30) day period, the Trustee shall not unreasonably withhold its consent to an

extension of such time if corrective action is instituted by the Agency within such thirty (30) day period and diligently pursued until such failure is corrected.

(c) The Agency commences a voluntary action under Title 11 of the United States Code or any substitute or successor statute.

If an Event of Default has occurred and is continuing, the Trustee shall, at the written direction of the Owners of a majority of the Bonds, (a) declare the principal of the Loan, together with the accrued interest on all unpaid installment payments thereof, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Loan Agreement to the contrary notwithstanding, and (b) to the extent indemnified to its satisfaction from any liability or expense, exercise any other remedies available to the Trustee in law or at equity. Immediately upon becoming aware of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Agency by telephone, telecopier or other telecommunication device, promptly confirmed in writing. This provision, however, is subject to the condition that if, at any time after the principal of the Loan shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Agency shall deposit with the Trustee a sum sufficient to pay all payments on the Loan and any Parity Debt matured prior to such declaration, with interest on such overdue payments at the rate then borne by the Outstanding Bonds, and the reasonable expenses of the Trustee (including but not limited to attorneys fees), and any and all other defaults known to the Trustee shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of a majority in aggregate principal amount of the Outstanding Bonds may, by written notice to the Trustee and the Agency. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

#### **Application of Funds Upon Default**

All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Loan Agreement shall be applied by the Trustee in the following order:

First, to the payment of the fees, costs and expenses of the Trustee, including reasonable compensation to its agents, attorneys and counsel; and

Second, to the payment of all payments on the Loan then due and unpaid, with interest on overdue payments to the extent permitted by law at the rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the order by which the overdue payments first became delinquent.

#### **Discharge of Loan Agreement**

If the Agency shall pay and discharge the indebtedness evidenced by the Loan or any portion thereof in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the payments and prepayment premiums (if any) on the Loan or portion thereof, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, cash in an amount which, together with the available amounts then on deposit in any of the funds and accounts established pursuant to the Indenture or the Loan Agreement, is fully sufficient to pay all payments and prepayment premiums (if any) on the Loan or portion thereof; or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, Defeasance Obligations in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to the Indenture or pursuant to the Loan Agreement, be fully sufficient to pay and discharge the indebtedness on the Loan or portion thereof (including all payments and prepayment premiums) at or before maturity;

then, at the election of the Agency but only if all other amounts then due and payable under the Loan Agreement shall have been paid or provision for their payment made, the pledge of and lien upon the Tax Revenues and other



funds provided for in the Loan Agreement and all other obligations of the Trustee, the Authority and the Agency under the Loan Agreement with respect to the Loan or with respect to the portion thereof so paid and discharged shall cease and terminate, except only the obligation of the Agency to pay or cause to be paid to the Trustee, from the amounts so deposited with the Trustee or such other fiduciary, all sums due with respect to the Loan and all expenses and costs of the Trustee. Notice of such election shall be filed with the Authority and the Trustee.

#### **Amendment**

The Loan Agreement may be amended by the parties thereto but only under the circumstances set forth in, and in accordance with, the provisions of the Indenture. The Authority and the Trustee covenant that the Indenture shall not be amended without the prior written consent of the Agency.

## APPENDIX B

### CITY OF BURBANK

*The following information is presented as general background data. The Bonds are payable solely from Tax Revenues and other sources as described in the Official Statement, and are not a debt of the City of Burbank. The taxing power of the City of Burbank, the State or any political subdivision thereof is not pledged to the payment of the Bonds. See the section of this Official Statement entitled "SECURITY FOR THE BONDS AND THE LOAN."*

#### **General**

The City of Burbank, California (the "City" or "Burbank") is located in the greater metropolitan Los Angeles area, approximately 12 miles northeast of the Los Angeles Civic Center complex. The economy represents a diverse blend of commercial and residential development. The City is the home of several major entertainment industry firms, including NBC, Warner Brothers and Walt Disney Company. Burbank is a mature community that experienced very little population growth in the later 1970's, modest population growth in the early 1980's, and slightly faster population growth in the late 1980's and early 1990's. See "Population" below.

#### **Municipal Government**

The City was incorporated as a general law city in 1911, and adopted its city charter in 1927. Burbank is administered by a Council-Manager form of government. The five City Council members, one of whom serves as Mayor, are elected at-large for four-year terms. Elections are staggered at two year intervals.

The City operates 22 parks, a golf course and 3 libraries.

As of June 30, 2002, the City had 1,629 employees, with 1,232 full-time, 200 part-time, 130 temporary and 67 seasonal employees. Six associations represented the City's employees: the Burbank City Employees' Association, represented 865 employees; the Burbank Firefighters Local, represented 118 employees; the Burbank Police Officers' Association, represented 155 employees; the International Brotherhood of Electrical Workers Local 18, represented 135 employees; the Burbank Fire Fighters-Chief Officer's Unit, represented 6 employees; and the Burbank Management Association, represented 151 employees. In addition, there were 96 non-represented employees (including executives). All of the associations are subject to the Meyers-Milias-Brown Act, which requires each association to meet with the City and confer in an effort to develop a "memorandum of understanding." Negotiations on each memorandum begin before the June 30 expiration of the applicable memorandum, however, negotiations often are completed subsequent to the June 30 expiration. Memoranda of understanding are currently in effect with respect to the Burbank Police Officers' Association and the International Brotherhood of Electrical Workers Local 18. Negotiations are in process with the other four associations.

## Population

The following table summarizes State Department of Finance estimates of population for the years indicated. The City anticipates that further population increases will be dependent upon replacement of older single family residential units by higher density multiple unit housing developments in areas planned and zoned for multiple family densities that are currently underdeveloped.

### CITY OF BURBANK POPULATION

<u>January 1</u>	<u>Population</u>
1993	97,219
1994	98,678
1995	99,880
1996	101,424
1997	102,481
1998	104,048
1999	105,300
2000	106,480
2001 (1)	102,400
2002	102,800

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Source: California Department of Finance.

(1) Reduction in population from 2000 to 2001 reflects the impact of the 2000 census.

## Employment

The City is part of the Los Angeles-Long Beach Metropolitan Statistical Area (MSA). The civilian labor force for Los Angeles County increased from an average of 4,662,400 in 2000 to 4,761,600 in 2001.

### LABOR FORCE EMPLOYMENT AND UNEMPLOYMENT

Yearly Average for Calendar Years 1996 -2000

<u>Year</u>	<u>Area</u>	<u>Civilian Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
1996	L.A. County*	4,394,300	4,033,200	361,100	8.2%
	California	15,568,600	14,444,400	1,124,200	7.2%
	United States	133,943,000	126,708,000	7,236,000	5.4%
1997	L.A. County	4,496,700	4,189,200	307,500	6.8%
	California	15,971,800	14,965,500	1,006,300	6.3%
	United States	136,297,000	129,558,000	6,739,000	4.9%
1998	L.A. County	4,647,600	4,343,300	304,300	6.5%
	California	16,336,500	15,367,500	969,000	5.9%
	United States	137,674,700	131,470,700	6,204,000	4.5%
1999	L.A. County	4,662,400	4,389,300	273,000	5.9%
	California	16,596,400	15,731,700	864,700	5.2%
	United States	139,380,000	133,501,000	5,879,000	4.2%
2000	L.A. County	4,761,600	4,506,100	255,500	5.4%
	California	17,090,800	16,245,600	845,200	4.9%
	United States	140,866,300	135,214,700	5,651,600	4.0%
2001	L.A. County	4,875,200	4,598,200	277,000	5.7%
	California	17,362,300	16,435,200	927,100	5.3%
	United States	142,122,200	135,042,900	6,779,300	4.8%

Source: State of California, Employment Development Department

\*L.A. County refers to the Los Angeles-Long Beach MSA

## Industry and Employment

The following table lists Burbank's major employers as of January 1, 2002. Most of these entities are also among the City's largest taxpayers.

### CITY OF BURBANK MAJOR EMPLOYERS

<u>Entity</u>	<u>Employment</u>	<u>Products/Service</u>
Walt Disney Company	6,000	Motion Picture/Television
Time Warner Entertainment	5,000	Motion Picture/Television
St. Joseph Medical Center	1,800	Medical
National Broadcasting Company	1,700	Television and Radio
Burbank Unified School District	1,600	Government
City of Burbank	1,531	Government
B-G-P Airport Support Services	1,500	Government
American Broadcasting Companies	700	Television
Foto-Kem Industries Inc.	550	Motion Picture/Television
Crane Co. Hydro	500	Airplane Parts

Source: City of Burbank License & Code Services.

Manufacturing employment has historically been concentrated in the aerospace industry, although a major aerospace employer, Lockheed-Martin, has relocated out of the Burbank area, along with some related auxiliary component manufacturers. The sites of these firms, some of which are in the process of being redeveloped into various industrial and commercial uses, are located within close proximity to the Burbank-Glendale-Pasadena Airport. The Airport is served by six scheduled airlines: Alaska Airlines, Aloha Airlines, American Airlines, America West Airlines, Southwest Airlines and United Airlines.

The entertainment industry has the greatest concentration of non-manufacturing industrial employment. Production facilities of Time Warner Entertainment, the National Broadcasting Company and Walt Disney Productions place Burbank in a leading role in the Southern California entertainment industry. It is anticipated that the demand for film and television employees will create a significant number of new jobs in Los Angeles County. This is expected to benefit Burbank since it is home to the above-mentioned large entertainment companies, as well as numerous support services companies.

As reported by the Community Development Department, the distribution of employment in the City is as shown on the following table:

CITY OF BURBANK  
DISTRIBUTION OF EMPLOYMENT  
(as of January 1, 2001)

<u>Classification</u>	<u>Employment</u>	<u>Distribution</u>
Durable and non-durable goods manufacturing	14,396	14.4%
Transportation, communications, public utilities	4,229	4.2
Wholesale and retail trade	13,368	13.2
Services (1)	54,140	53.4
Other	<u>14,986</u>	<u>14.8</u>
TOTAL	<u>101,119</u>	<u>100.0%</u>

Source Economic Alliance of the San Fernando Valley, Claritas

(1) Includes entertainment industry

## Principal Property Owners and Taxpayers

The following table lists the City's top ten 2001/02 property owners

### CITY OF BURBANK PRINCIPAL PROPERTY OWNERS

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Value</u>	<u>Percentage of Assessed Valuation</u>
Time Warner Entertainment	Motion picture and television	\$ 666,750,630	6.03%
Walt Disney Productions	Motion picture and television	242,004,219	2.19
Alexander Haagen Properties	Retail properties	198,254,951	1.79
Sisters of Providence in California	Hospital	181,238,900	1.64
National Broadcasting Co.	Major television network	167,398,175	1.51
Walt Disney Pictures	Motion picture and television	161,203,488	1.46
Tochikogyo USA Inc.	Office building	125,904,091	1.14
Disney Channel	Television	116,075,527	1.05
Douglas Emmett Joint Venture	Office buildings	93,284,976	0.84
Southwest Airlines Co	Airline	<u>86,613,063</u>	<u>0.78</u>
Top Ten Total		2,038,728,020	18.44
Other Taxpayers		<u>9,017,358,836</u>	<u>81.56</u>
Total for entire City		<u>\$11,056,086,856</u>	<u>100.00%</u>

Source Los Angeles County Assessor

The following table lists the City's top ten 2001/02 property taxpayers.

### CITY OF BURBANK PRINCIPAL PROPERTY TAXPAYERS

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Revenue</u>	<u>Percentage of Total Revenue</u>
Alexander Haagen Properties	Retail properties	1,944,163	5.35%
National Broadcasting Co.	Major television network	1,579,020	4.35
Time Warner Entertainment	Motion picture and television	1,518,701	4.18
Southwest Airlines Co	Airline	764,082	2.10
Walt Disney Pictures	Motion picture and television	670,504	1.85
SHC Burbank LLC	Office building	512,023	1.41
Walt Disney Productions	Motion picture and television	447,391	1.23
Joseph A Perry	Hotels	408,235	1.12
Mayer Burbank Limited	Residential properties	401,740	1.11
Thornton Skunkworks	Aerospace	<u>351,979</u>	<u>0.97</u>
Top Ten Total		8,597,840	23.67
Other Taxpayers		<u>27,723,823</u>	<u>76.33</u>
Total for entire City		<u>\$36,321,663</u>	<u>100.00%</u>

Source Los Angeles County Assessor

## Direct and Overlapping Debt

The City's statement of direct and overlapping debt as of May 20, 2002 is presented in the following table along with certain debt ratios.

2001-02 Assessed Valuation:	\$10,714,864,279
Redevelopment Incremental Valuation:	<u>2,354,125,493</u>
Adjusted Assessed Valuation:	\$ 8,360,738,786

	% Applicable	Debt 5/20/02
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>		
Los Angeles County	1.503%	\$ 636,896
Los Angeles County Flood Control District	1.457	247,326
Metropolitan Water District	0.791	3,979,323
Los Angeles Community College District	2.664	13,986,000
Burbank Unified School District	100.	43,774,157
City of Burbank	100.	0 (1)
City of Burbank Community Facilities District No. 1991-1	100.	960,000
Los Angeles County Regional Park and Open Space Assessment District	1.503	<u>6,196,794</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 69,780,496

<b><u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u></b>		
Los Angeles County General Fund Obligations	1.503%	\$ 25,266,693
Los Angeles County Pension Obligations	1.503	28,866,353
Los Angeles County Superintendent of Schools Certificates of Participation	1.503	447,454
Los Angeles County Flood Control District Certificates of Participation	1.457	2,304,027
Los Angeles Community College District Certificates of Participation	2.664	2,35,3366
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 59,279,863

Less: Los Angeles County Certificates of Participation (100% self-supporting from leasehold revenues on properties in Marina Del Rey)	<u>1,442,955</u>
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT	\$ 57,836,863

GROSS COMBINED TOTAL DEBT	\$129,060,359 (2)
NET COMBINED TOTAL DEBT	\$127,617,404

- (1) Excludes electric utility revenue bonds.  
 (2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation and nonbonded capital lease obligations.

<b><u>Ratios to 2001-02 Assessed Valuation:</u></b>	
Direct Debt.....	0.00%
Total Direct and Overlapping Tax and Assessment Debt.....	0.65%

<b><u>Ratios to Adjusted Assessed Valuation:</u></b>	
Gross Combined Total Debt.....	1.54%
Net Combined Total Debt.....	1.53%

Source: California Municipal Statistics, Inc.

## Income

The following table compares the median household effective buying income for the City, the County of Los Angeles, the State and the nation

### MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME

<u>Year</u>	<u>City of Burbank</u>	<u>County of Los Angeles</u>	<u>State of California</u>	<u>United States</u>
1995	\$34,073	\$32,979	\$34,533	\$32,238
1996	33,203	33,272	35,216	33,482
1997	35,730	34,356	35,483	34,518
1998	36,064	34,554	37,091	35,377
1999	37,461	36,729	39,402	37,233
2000	42,725	41,628	44,464	39,129

Source "Survey of Buying Power," Sales and Marketing Management

## Taxable Sales

The table below shows the history of taxable transactions for the City for the years indicated

### CITY OF BURBANK TAXABLE SALES (\$ in thousands)

<u>Type of Business</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Retail Stores					
Apparel	\$ 92,974	\$ 90,856	\$ 44,832	\$ 45,163	\$ 47,845
General Merchandise	150,841	159,731	219,194	233,073	243,720
Food	64,274	64,470	70,174	83,569	75,501
Eating & Drinking Places	155,244	162,866	173,005	186,909	197,355
Home Furnishing & Appliances	116,077	129,777	246,331	266,305	281,997
Bldg Materials & Farm Implements	49,625	51,265	66,502	60,975	71,502
Auto Dealers & Suppliers	36,209	35,735	49,688	61,073	74,298
Service Stations	75,982	72,449	95,420	110,198	111,720
Other Retail Stores	<u>196,344</u>	<u>229,867</u>	<u>259,446</u>	<u>269,795</u>	<u>255,733</u>
Retail Stores Total	937,570	997,016	1,224,592	1,317,060	1,359,671
All Other Outlets	<u>594,395</u>	<u>614,477</u>	<u>519,654</u>	<u>556,142</u>	<u>598,749</u>
Total All Outlets	<u>\$1,531,965</u>	<u>\$1,611,493</u>	<u>\$1,744,246</u>	<u>\$1,873,202</u>	<u>\$1,958,420</u>

Source California State Board of Equalization/Hinderliter, De Llamas & Associates



## Construction Activity

The number of building permits issued by the City for the years indicated is set forth below.

### CITY OF BURBANK BUILDING PERMITS

<u>Year</u>	<u>Number of Permits</u>
1991	1,957
1992	2,235
1993	2,096
1994	2,770
1995	2,362
1996	2,071
1997	2,197
1998	2,310
1999	2,386
2000	2,410
2001	2,502
2002*	1,291

Source: City of Burbank Building Division.

\*Through June 30, 2002

The total valuation of building permits issued in the City for calendar year 2001 was approximately \$268.5 million. This compares with approximately \$116.9 million for calendar year 2000. The following table provides a summary of building permit valuations authorized in the City during the past five years.

### CITY OF BURBANK BUILDING PERMIT VALUATION

Calendar Years -1997-2001

(\$ in millions)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002**</u>
Valuation*						
Residential	\$ 15.6	\$ 31.1	\$ 33.1	\$ 52.4	\$ 77.4	\$ 24.1
Commercial/Industrial	49.5	155.8	45.3	51.6	179.6	39.6
Other	<u>7.5</u>	<u>5.5</u>	<u>2.9</u>	<u>12.9</u>	<u>11.5</u>	<u>1.9</u>
TOTAL	<u>\$72.6</u>	<u>\$192.4</u>	<u>\$81.3</u>	<u>\$116.9</u>	<u>\$268.5</u>	<u>\$ 565.6</u>
New Dwelling Units						
Single Family	\$ 1.1	\$ 12.1	\$ 12.4	\$ 24.1	\$ 6.7	\$ 1.7
Two Family	0.0	0.1	0.2	0.0	.1	.5
Apartment Buildings	<u>0.8</u>	<u>2.0</u>	<u>1.8</u>	<u>1.1</u>	<u>32.7</u>	<u>7.1</u>
TOTAL	<u>\$ 1.9</u>	<u>\$ 14.2</u>	<u>\$ 14.4</u>	<u>\$ 25.2</u>	<u>\$ 39.5</u>	<u>\$ 9.3</u>

Source: City of Burbank Building Division.

\*Valuation encompasses new dwellings and remodeling of existing structures.

\*\*Through June 20, 2002.

## Economic Condition and Outlook

A recent and significant addition to Burbank's commercial market includes the Burbank Empire Center built on former Lockheed land just southwest of the Golden State (I-5) Freeway. The Burbank Empire Center is a 103-acre mixed use project that incorporates 600,000 square feet of retail space; 600,000 square feet of office space; two extended-stay hotels with a total of 350 rooms; a 160,000 square feet Sears Great Indoors facility; and a 160,000

square feet Costco facility. Other major retail anchors include Target, Lowe's Home Improvement, Marshall's, Best Buy, Linen N' Things, Sportsmart, and Michael's along with several other retail stores and restaurants. The estimated number of jobs created by this project is approximately 3,350.

In downtown Burbank, AMC theaters will be constructing a 16-screen theatre complex with retail and restaurant space. This will replace the existing AMC 14-screen theatre with a state-of-the-art, stadium-style seating theatre. This project will also include 120,000 square feet of retail and restaurant space, as well as a 40,000 square foot health club. The City will also continue its efforts in developing a mixed-use project at the old police block site in the downtown area that is to include residential, office and retail uses. In another part of downtown, Marriott is planning to construct a 253 room, full-service extended-stay hotel.

Media Studios North office campus is among a number of office development projects being undertaken in Burbank. Located on the north side of Burbank near the airport, the project encompasses nearly 700,000 square feet of office space. Major tenants include Disney Animation and Technicolor. Also adjacent to the airport is the Airport Plaza office building which provides an additional 155,000 square feet of new office space in the City.

A notable project that is being developed in the media district of the City is the Pinnacle project, which is expected to have 585,000 square feet of office space situated above a four-level parking garage. Additionally, near NBC is the Bob Hope project, which includes 100,000 square feet of office space along with a performing arts theater and museum.

With increasing housing costs along with an increasing population, the City remains committed to providing affordable housing opportunities. The Riverside Drive housing development that is currently underway will provide 20 housing units in the Rancho District. Another 20 single-family units will be built just east of the airport and will be accompanied by a child care facility and play yard. Additionally, the Burbank Senior Artists' colony project in the South San Fernando Project Area will provide 141 senior housing units to help meet the growing demand for senior citizen housing.

## **Utilities**

The City of Burbank provides its own municipal electric, water and sewer utilities. Southern California Gas Company and Pacific Bell Telephone Company also serve Burbank.

## **Fiscal Operation**

The City uses the modified accrual basis of accounting for all funds except proprietary funds which use the accrual basis of accounting. The City's financial statements are prepared in conformity with generally accepted accounting principles.

The City adopts an annual budget and utilizes an "encumbrance system." Under this procedure, commitments such as purchase orders and contracts at year-end are recorded as restrictions of fund balance through a reserve account. Generally, City staff begins preparation of the budget in January of the prior fiscal year, and the City Council adopts the budget in June of the prior fiscal year after holding a public hearing. The 2002-03 fiscal year budget was adopted on June 18, 2002.

## **Retirement Programs**

*Defined Contribution Plan.* The Welfare Benefit Plan (VEBA) Trust (the Plan) is a defined contribution plan established by the City to provide post retirement medical and educational assistance benefits to members of the Burbank Police Officer's Association, the International Brotherhood of Electrical Workers (IBEW), and the Burbank Management Association. At June 30, 2002, there were 440 active plan members and 40 active retired members. Plan members are required to contribute their final vested sick pay at retirement. The City is required to contribute 1.5% of the Burbank Police Officer's Association annual covered salary, \$6.56 per month for each of the Burbank

Management Association's members, and \$3.50 per month for each of the members of the IBEW. Plan provisions and contribution requirements are established and may be amended by the City Council. Investments are on a pooled basis and are determined by the VEBA committee, of which City and association representatives participate. The City has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The employer and plan member contributions are recognized in the period that the contributions are made. Plan investments are reported at fair value. At June 30, 2002, the market value of plan assets was \$1,446,258.08.

*Defined Benefit Plan.* The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance.

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; for miscellaneous employees the rate is zero. For Fire employees the rate was .437% from July to December 15, 2000, and .031% from December 16 to June 2001. For Police employees the rate was .437% from July to December 15, 2000, .031% from December 16 to June 15, 2001, and 8.089% from June 16 to June 30, 2001. The contribution requirements of plan members and the City are established and may be amended by PERS.

For 2001, the City's annual pension cost of \$5,732,000 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 1998 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a four-year period (smoothed fair value).

All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20 year period. In addition, all gains or losses are tracked, and 10% of the net unamortized accumulated gain or loss is amortized each year. Finally, if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30 year amortization of the unfunded liability.

## **Risk Management**

The City is self-insured for the first \$1,000,000 on each general liability claim against the City. The City self-insures for all workers compensation claims. At June 30, 2002, \$4,162,923 was accrued for general liability claims, and \$12,695,846 accrued for workers compensation claims. These amounts were determined by an actuarial study of the City's liability, performed biannually. These accruals represent estimates of amounts to be paid for incurred and reported claims as well as incurred but unreported claims based upon past experience and modified for current trends and information. These amounts are not discounted.

While the ultimate amounts of losses incurred through June 30, 2001, are dependent on future developments, based upon information provided from the City Attorney, outside legal counsel and others involved with the administration of the programs, City management believes that the aggregate accrual is adequate to cover such losses. The City is insured with outside insurance carriers for certain amounts in excess of self-insurance limits. There have been no reductions during the fiscal year in insurance coverage, nor have there been any settlements in excess of insurance coverage for the past three years.

The City was a participant in the Authority for California Cities Excess Liability (ACCEL) from May 1987 through June 1998. As a result of this involvement, the City still shares in losses of member agencies for claims filed through June 1998. To meet this obligation, funds for fiscal years 1987 through 1998 are kept on deposit until such time as these claims actively cease to exist. As of June 30, 2001, the City has \$757,000 on deposit with the Authority.

As of July 1, 1998, the City became a participant in the California Authority for Municipal Excess Liability (CAMEL). This is an insurance arrangement wherein the City self-insures all liability losses for the first \$1,000,000 in losses before insurance coverage participates. The limit of coverage in CAMEL is \$10,000,000. The City does not share risk as under ACCEL, rather, the City maintains an individual policy. The City purchases an additional \$10,000,000 in coverage in excess, for a total coverage of \$20,000,000.

Changes in the self-insurance liability for the last two fiscal years were as follows:

	<u>2000/01</u>	<u>2001/02</u>
Beginning liability, July 1	\$13,910,000	\$13,910,000
Claims and changes in estimates	3,017,000	5,485,614
Claims payments during the year	<u>(3,017,000)</u>	<u>(2,537,272)</u>
Ending liability, June 30	<u>\$13,910,000</u>	<u>\$16,858,769</u>

#### **City Investment Policy and Portfolio**

The City annually adopts an investment policy (the "Investment Policy") governing the investment of public funds. The City Treasurer is required to present each Investment Policy to an Oversight and Review Committee and the Fiscal & Treasurer's Review Group for concurrence before it is presented to the City Council for approval. Authority to invest public funds is delegated by the City Council to the City Treasurer. In the event the City Treasurer is absent from the City or is subject to any temporary or permanent disability to act as such, the Financial Services Director is authorized to act as deputy of the City Treasurer and to perform all acts authorized to be performed by the City Treasurer.

The Investment Policy sets forth three fundamental criteria to be followed in the City's investment program: (a) safety, (b) liquidity, and (c) yield. The Investment Policy also sets forth the types of permitted investments as well as the maximum percentage of total investments that may employ any one type. The Investment Policy sets forth maturity limitations and limits the financial institutions to whom investment may be made.

The Investment Policy provides that the investment of bond proceeds is to be covered by the bond indenture, subject to those investments permitted by the California Government Code.

Copies of the Investment Policy are available upon request from Mr. Derek Hanway, Financial Services Director, City of Burbank, 301 East Olive Avenue, Burbank, California 91502, Phone: (818) 238-5500, Fax: (818) 238-5520.

The City's investment inventory as of June 30, 2002, was as follows:

<u>Type</u>	<u>Market Value</u>	<u>% of Portfolio</u>
FHLMC Debentures	\$ 40,396,875	16.30%
Medium Term Notes	69,609,219	28.09
Federal Farm Credit Bonds	8,002,500	3.23
Federal Home Loan Bank Bonds	30,267,500	12.22
Federal National Mortgage Association Obligations	51,372,813	20.74
Local Agency Investment Fund	<u>48,133,447</u>	<u>19.43</u>
Total	<u>\$247,782,353</u>	<u>100.00%</u>

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Source: City of Burbank.

## APPENDIX C

### AGENCY'S AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2001

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355 South Grand Avenue  
Suite 2000  
Los Angeles, CA 90071-1568

## **Independent Auditors' Report**

**The Agency Members**  
**Redevelopment Agency of the City of Burbank**  
**Burbank, California:**

We have audited the accompanying general purpose financial statements of the Redevelopment Agency of the City of Burbank (Agency) (a component unit of the City of Burbank, California), as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Redevelopment Agency of the City of Burbank as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2001, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is  
a member of KPMG International, a Swiss association.



Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for purpose of additional analysis and are not a required part of the general purpose financial statements of the Redevelopment Agency of the City of Burbank. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

KPMG LLP

December 13, 2001

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# REDEVELOPMENT AGENCY OF THE CITY OF BURBANK

## Combined Balance Sheet – All Fund Types and Accounts Groups

June 30, 2001

(Amounts expressed in thousands)

	<u>Governmental Fund Types</u>	
	<u>Capital projects</u>	<u>Debt service</u>
<b>Assets and Other Debits</b>		
Cash and investments (note 2)	\$ 26,333	10,210
Accounts receivable	15	—
Interest receivable	252	190
Taxes receivable	—	863
Notes receivable	7,879	—
Interfund receivable	—	1,417
Intergovernmental receivable	632	—
Land held for resale (note 9)	15,917	—
Advances to other funds (note 3)	19,641	—
Prepaid items and deposits	—	201
General fixed assets (note 10)	—	—
Amount available in debt service funds	—	—
Amount to be provided for the retirement of long-term debt	—	—
<b>Total assets and other debits</b>	<b>\$ 70,669</b>	<b>12,881</b>
<b>Liabilities, Equity and Other Credits</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 385	1,890
Interfund payable	1,368	86
Deferred revenue	2,462	—
Notes payable (note 3)	—	—
Advances payable to other funds (note 3)	—	—
Tax allocation bonds (note 3)	—	—
<b>Total liabilities</b>	<b>4,215</b>	<b>1,976</b>
Investment in general fixed assets	—	—
Reserved for encumbrances	436	—
Reserved for notes receivable	7,879	—
Reserved for land held for resale	15,917	—
Reserved for advances to other funds	19,641	—
Reserved for debt service	—	10,905
Unreserved – designated for capital improvements	24,113	—
Unreserved – undesignated (deficit)	(1,532)	—
<b>Total equity and other credits</b>	<b>66,454</b>	<b>10,905</b>
<b>Total liabilities, equity and other credits</b>	<b>\$ 70,669</b>	<b>12,881</b>

See accompanying notes to general purpose financial statements.

Account Groups		Totals (memorandum only)
General fixed assets	General long-term debt	
—	—	36,543
—	—	15
—	—	442
—	—	863
—	—	7,879
—	—	1,417
—	—	632
—	—	15,917
—	—	19,641
—	—	201
51,985	—	51,985
—	10,905	10,905
—	228,259	228,259
51,985	239,164	374,699
—	—	2,275
—	—	1,454
—	—	2,462
—	51,500	51,500
—	101,639	101,639
—	86,025	86,025
—	239,164	245,355
51,985	—	51,985
—	—	436
—	—	7,879
—	—	15,917
—	—	19,641
—	—	10,905
—	—	24,113
—	—	(1,532)
51,985	—	129,344
51,985	239,164	374,699

# REDEVELOPMENT AGENCY OF THE CITY OF BURBANK

## Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types

Year ended June 30, 2001

(Amounts expressed in thousands)

	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Total (Memorandum Only)</b>
<b>Revenues:</b>			
Property tax allocation (note 7)	\$ —	25,743	25,743
Use of money or property (note 2)	3,235	1,004	4,239
Charges for services	379	—	379
<b>Total revenues</b>	<b>3,614</b>	<b>26,747</b>	<b>30,361</b>
<b>Expenditures:</b>			
General government – administrative services	5,251	—	5,251
Capital outlay – general capital improvements	13,162	—	13,162
Debt service (note 3):			
Principal retirement	—	3,865	3,865
Interest and finance charges	—	14,428	14,428
<b>Total expenditures</b>	<b>18,413</b>	<b>18,293</b>	<b>36,706</b>
<b>Excess (deficiency) of revenues     over expenditures</b>	<b>(14,799)</b>	<b>8,454</b>	<b>(6,345)</b>
<b>Other financing sources (uses):</b>			
Operating transfers in	10,591	79	10,670
Operating transfers out	(13,894)	(10,885)	(24,779)
Advance from City	—	475	475
<b>Total other financing uses</b>	<b>(3,303)</b>	<b>(10,331)</b>	<b>(13,634)</b>
<b>Deficiency of revenues and other     financing sources over expenditures     and other financing uses</b>	<b>(18,102)</b>	<b>(1,877)</b>	<b>(19,979)</b>
<b>Fund balances, July 1, 2000</b>	<b>84,556</b>	<b>12,782</b>	<b>97,338</b>
<b>Fund balances, June 30, 2001</b>	<b>\$ 66,454</b>	<b>10,905</b>	<b>77,359</b>

See accompanying notes to general purpose financial statements.

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# REDEVELOPMENT AGENCY OF THE CITY OF BURBANK

## Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – All Governmental Fund Types

Year ended June 30, 2001

(Amounts expressed in thousands)

	Capital Projects Fund (Note 1h)		
	Appropriated budget	Actual	Variance favorable (unfavorable)
<b>Revenues:</b>			
Property tax allocation	\$ —	—	—
Use of money or property	4,489	3,235	(1,254)
Charges for services	66	379	313
Total revenues	4,555	3,614	(941)
<b>Expenditures:</b>			
General government – administrative services	10,669	5,251	5,418
Capital outlay – general capital improvements	25,405	13,162	12,243
Debt service:			
Principal retirement	—	—	—
Interest and finance charges	—	—	—
Total expenditures	36,074	18,413	17,661
Excess (deficiency) of revenues over expenditures	(31,519)	(14,799)	16,720
<b>Other financing sources (uses):</b>			
Operating transfers in	6,262	10,591	4,329
Operating transfers out	(17,018)	(13,894)	3,124
Advance from City	—	—	—
Total other financing sources (uses)	(10,756)	(3,303)	7,453
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(42,275)	(18,102)	24,173
Fund balances, July 1, 2000	84,556	84,556	—
Fund balances, June 30, 2001	\$ 42,281	66,454	24,173

See accompanying notes to general purpose financial statements.

Debt Service Funds			Total (Memorandum Only)		
Appropriated budget	Actual	Variance favorable (unfavorable)	Appropriated budget	Actual	Variance favorable (unfavorable)
22,066	25,743	3,677	22,066	25,743	(3,677)
452	1,004	552	4,941	4,239	(702)
—	—	—	66	379	313
22,518	26,747	4,229	27,073	30,361	(4,066)
—	—	—	10,669	5,251	5,418
—	—	—	25,405	13,162	12,243
3,865	3,865	—	3,865	3,865	—
14,963	14,428	535	14,963	14,428	535
18,828	18,293	535	54,902	36,706	18,196
3,690	8,454	4,764	(27,829)	(6,345)	21,484
1,613	79	(1,534)	7,875	10,670	2,795
(4,374)	(10,885)	(6,511)	(21,392)	(24,779)	(3,387)
475	475	—	475	475	—
(2,286)	(10,331)	(8,045)	(13,042)	(13,634)	(592)
1,404	(1,877)	(3,281)	(40,871)	(19,979)	20,892
12,782	12,782	—	97,338	97,338	—
14,186	10,905	(3,281)	56,467	77,359	20,892



# **REDEVELOPMENT AGENCY OF THE CITY OF BURBANK**

## **Notes to General Purpose Financial Statements**

**June 30, 2001**

**(Amounts expressed in thousands)**

### **(1) Summary of Significant Accounting Policies**

#### **(a) *Description of Reporting Entity***

The Redevelopment Agency of the City of Burbank (the Agency) was activated by the City Council of the City of Burbank by Ordinance No. 2223, adopted on May 12, 1970 under the provisions of the State of California Community Redevelopment Law. The members of the City Council sit ex officio as the Board of Directors of the Agency. The Agency meets the criteria established by the Governmental Accounting Standards Board for inclusion as a component unit of the City of Burbank, California (the City) for financial reporting purposes; accordingly, the financial activities of the Agency are blended within the Comprehensive Annual Financial Report of the City.

The Agency has the authority to acquire, develop, administer and sell or lease property, including the right to issue bonds and expend their proceeds, all in conformity with previously adopted formal redevelopment plans. The California Community Redevelopment Law provides that, on adoption of a redevelopment plan, all future tax revenues attributable to increases in the tax base within a project shall be paid into a special fund of the Agency to pay the principal and interest, advances and other indebtedness of the Agency.

The Agency currently has designated four principal project areas, the highlights of which are as follows:

- **Golden State Project Area** – This project area, which encompasses approximately 1,100 acres, was adopted in October 1970 and amended in January 1973. The project area includes the Burbank-Glendale-Pasadena Airport and surrounding area adjacent to the Golden State Freeway. The numerous parcels that comprise this project area contain a variety of industrial and commercial structures. Improvements made in this area include removal of substandard buildings, elimination of environmental deficiencies, restructuring of obsolete street patterns and odd-shaped lot patterns, creation of new sites for commercial and industrial development and expansion of employment opportunities.
- **City Centre Project Area** – This project area was adopted in July 1971 and amended in July 1974. The 212-acre area encompasses City Hall and other City buildings as well as the Media City Centre Mall. The project area contains a variety of commercial and residential structures. Objectives of the City Centre Project include expansion of retail business, development of mixed-use housing and commercial facilities, elimination of detrimental land use and environmental deficiencies and provision for overall beautification of the Burbank downtown area.
- **West Olive Project Area** – This project area was adopted in December 1976. The project area consists of a mixture of residential, commercial and media-related commercial and industrial facilities. The project encompasses the City's major medical center and several large movie and television studios. The focus of the West Olive Project has been to work with existing property owners toward upgrading and developing their facilities. The Agency has also provided for traffic reconfiguration and improvements.

# REDEVELOPMENT AGENCY OF THE CITY OF BURBANK

## Notes to General Purpose Financial Statements

June 30, 2001

(Amounts expressed in thousands)

- South San Fernando Project – This project was adopted in June 1997 and encompasses 468 acres. The project area was formed to eliminate blight, encourage development of properties supporting alternative transportation and remove impediments to development by assembling properties into reasonable sizes and shapes.

### (b) *Description of Funds and Account Groups*

The different funds and account groups in which financial data pertaining to the Agency are recorded are as follows.

#### **Governmental Fund Types**

- Capital Projects Funds – These funds reflect all revenues and costs of implementing the redevelopment projects in accordance with the California Community Redevelopment Law, including acquisition of properties, cost of site improvements and other costs that benefit the project areas as well as administrative expenses incurred in sustaining Agency activities. Twenty percent of the tax increment of each project area is set aside in a low- and moderate-income housing fund and is used for projects benefiting low- and moderate-income households for all project areas.
- Debt Service Funds – These funds were established to finance and account for the payment of interest and principal on the Agency's indebtedness. The principal sources for revenue of this fund are incremental property taxes and investment income.

#### **Account Groups**

- General Fixed Assets Account Group – This account group is used to account for, in a separate self-balancing group of accounts, the Agency's general fixed assets.
- General Long-Term Debt Account Group – This account group is used to account for, in a separate self-balancing group of accounts, the Agency's outstanding long-term indebtedness.

### (c) *Basis of Accounting*

The Agency's funds are accounted for using the modified-accrual basis of accounting. Revenues are recognized when they become susceptible to accrual, that is, both measurable and available. For purposes of this report, the Agency has defined the term "available" to mean collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Agency considers property taxes available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified-accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt, which is recognized when due.

# **REDEVELOPMENT AGENCY OF THE CITY OF BURBANK**

## **Notes to General Purpose Financial Statements**

**June 30, 2001**

**(Amounts expressed in thousands)**

**(d) *Encumbrances***

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed for all governmental fund types. Encumbrances outstanding at year-end are treated as a reservation of fund equity since they do not constitute expenditures or liabilities.

**(e) *Investments***

Investments are stated at fair value (quoted market price or best available estimate thereof).

**(f) *Land Held for Resale***

Land held for resale is recorded at the lower of cost or estimated net realizable value, as applicable. Estimated net realizable value is determined by agreed-upon sales prices with potential developers. Amounts recorded as land held for resale are offset by a reservation of fund balance, as they are not available spendable resources. (See note 9).

**(g) *Advances to/from Other Funds***

The noncurrent portions of advances to other funds have been recognized as receivables in the disbursing funds. A corresponding reservation of fund balance has also been made to indicate that such receivables do not constitute available spendable resources. In the receiving funds, advances are recognized as other financing sources. In addition, a liability is established in the General Long-Term Debt Account Group for the noncurrent portion of advances to recognize the long-term repayment nature of the advances between the City and the Agency. For advances from the City to the Agency, it is the intention of both entities that these advances be repaid as future property tax increment revenues permit.

**(h) *Appropriated Budget and Budgetary Control***

The Board of Directors of the Agency is required to adopt an annual budget resolution by July 1 of each fiscal year for the Capital Projects and Debt Service Funds. These budgets are adopted and presented for reporting purposes on a basis consistent with generally accepted accounting principles.

The level of appropriated budgetary control is at the functional departmental level. The City Manager, acting as Executive Director of the Agency, may authorize transfers of appropriations within a departmental function. Expenditures may not legally exceed total departmental appropriations. Supplemental appropriations during the year must be approved by the Board of Directors by no less than three of five votes. Unexpended or unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations are reappropriated in the ensuing year's budget. The Agency uses an "encumbrance system." Under this system, commitments such as purchase orders and contracts at year-end are recorded as a reserve of fund balance.

# **REDEVELOPMENT AGENCY OF THE CITY OF BURBANK**

## **Notes to General Purpose Financial Statements**

**June 30, 2001**

**(Amounts expressed in thousands)**

**(i) *Agency Employees***

The Agency uses employees of the City to perform the various duties of Agency operations. The Agency reimburses the City by allocations of payroll and employee-related expenditures.

**(j) *Estimates***

The preparation of general purpose financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**(k) *Total (Memorandum Only) Columns***

Total columns in the general purpose financial statements are captioned "total (memorandum only)" to indicate that they are presented only to facilitate financial analysis. Data in such "total (memorandum only)" columns are not intended to fairly present financial position, results of operations or changes in financial position in conformance with accounting principles generally accepted in the United States of America, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**(2) *Cash and Investments***

**(a) *Pooled Cash and Investments***

The Agency pools cash and investments with that of the City, except for funds required to be held by outside fiscal agents under provisions of bond indentures. Each fund type's portion of the cash and investments is displayed on the combined balance sheet.

Investment income earned on pooled cash and investments is allocated monthly to the various City and Agency funds based on average daily balances. The Agency's portion of investment income on the pooled amounts for the year ended June 30, 2001 totals \$3,041 and is included in the use of money or property revenue line item in the accompanying general purpose financial statements. Investment income from cash and investments with fiscal agents is credited directly to the related funds.

**(b) *Authorized Investments***

Under provision of the Agency's investment policy and in accordance with Section 53601 of the California Government Code, the Agency, through the City's pool or its fiscal agents, may invest in the following types of investments:

- Public fund time deposits
- Certificates of deposit placed with commercial banks, savings and loan companies and credit unions
- Negotiable certificates of deposit
- Government bonds and notes

## **REDEVELOPMENT AGENCY OF THE CITY OF BURBANK**

### **Notes to General Purpose Financial Statements**

**June 30, 2001**

**(Amounts expressed in thousands)**

- Bankers' acceptances
- Commercial paper
- Money market mutual fund
- Los Angeles County Pooled Investment Fund
- Bonds and notes of federally sponsored agencies
- California Local Agency Investment Fund
- Small Business Administration notes
- Passbook savings account demand deposits.

**(c) *Classification of Deposits and Investments by Credit Risk***

Investment securities are classified as to credit risk by three categories as follows.

#### **Investments**

Category 1 – Investments which are insured by the Securities Investors Protection Corporation (SIPC), or investments which are held in definitive (i.e., physical) form by the Agency or the Agency's agent in the Agency's name, or investments acquired through the federal reserve book-entry system where the financial institution or broker/dealer associated with the purchases is adequately separate from the custodial safekeeping agent on the same investments and where the investments are recorded on the books and records of the financial institution or broker-dealer in the name of the Agency.

Category 2 – Investments which are uninsured, where the investments are acquired through a financial institution's investment or trading department, but are held in the same financial institution's trust department and are recorded in the Agency's name in the trust department's systems and records.

Category 3 – Investments which are uninsured (1) where the investments are acquired through a financial institution's investment department but are held for custodial purposes in the same financial institution's safekeeping department or (2) where the investments are acquired through a financial institution's trust department, and held for custodial safekeeping by the same trust department or (3) where the investments are acquired through, and held for safekeeping by, the same broker-dealer or (4) where investments are not held in the Agency's name in the systems and records of the financial institution or broker-dealer.

#### **Investments Not Subject to Categorization**

Cash and investments pooled with the City of Burbank are not categorized, as GASB Statement 3 does not require categorization of investment pools managed by another government. Certain fiscal agent investments are also not categorized, because the underlying assets are open-ended mutual funds or guaranteed investment contracts.

# REDEVELOPMENT AGENCY OF THE CITY OF BURBANK

## Notes to General Purpose Financial Statements

June 30, 2001

(Amounts expressed in thousands)

The following is a schedule of the fair value of the Agency's cash and investments pooled with the City and its investments with fiscal agents, summarized by credit risk:

	Category			Not required to be categorized	Fair value
	1	2	3		
Pooled with City of Burbank	\$ 18,653	—	—	9,695	28,348
Corporate Trust Investment Treasury Fund	—	—	4	—	4
Guaranteed Investment Contracts	—	—	8,191	—	8,191
Total cash and investments	\$ 18,653	—	8,195	9,695	36,543

Further information regarding the categorization of cash and investments pooled with the City can be found in the City's Comprehensive Annual Financial Report.

### (3) Long-Term Liabilities

Activity in the General Long-Term Debt Account Group for the year ended June 30, 2001 was as follows:

	Balance at July 1, 2000	Additions	Retirements	Balance at June 30, 2001
Advances payable	\$ 100,568	1,071	—	101,639
Notes payable	51,500	—	—	51,500
Tax allocation bonds payable	89,890	—	3,865	86,025
Contract payable	3,000	—	3,000	—
Total General Long-Term Debt	\$ 244,958	1,071	6,865	239,164

# REDEVELOPMENT AGENCY OF THE CITY OF BURBANK

## Notes to General Purpose Financial Statements

June 30, 2001

(Amounts expressed in thousands)

### (a) *Advances Payable*

Advances payable are comprised of the following advances from the City and between redevelopment project areas:

#### **Advances from City**

The City and the Agency entered into agreements by Resolutions R-504, R-787 and R-1177 to loan an aggregate amount of \$1,778 to the City Centre Project for the purchase of land. Interest is 7% payable quarterly. There is no payment schedule for the principal portion of this advance. Repayment will be made as the funds become available in the future

\$ 1,778

The City and the Agency entered into a cooperation agreement through which the City agreed to advance funds to the City Centre Project necessary for land acquisition and related expenses. This agreement has no interest or repayment schedule. Repayment of the advance will be made as the funds become available

49,621

From 1977 through 1979, the City and the Agency entered into agreements to loan funds aggregating \$225 to the West Olive Project. These agreements bear 7% interest per year, payable quarterly, and have no principal repayment schedule

225

Advances secured by a \$25,000 Golden State Redevelopment Project Subordinated Taxable Tax Allocation Private Placement Bond Issue of 1993, interest is due semiannually on June 1 and December 1, with a principal maturity date of December 1, 2043 (or a mutually agreeable time). The interest rate varies as it is indexed to the yield on the California Local Agency Investment Fund plus 1%. At June 30, 2001, the interest rate equaled 7.17%. The principal and interest are secured by an irrevocable pledge of tax increment revenues. The bond was issued for the purpose of aiding the financing and construction of Redevelopment projects

25,000

The City and the Agency entered into an agreement to loan to the Agency an aggregate amount of \$192 representing project formation costs of the South San Fernando Project Area. The advance is non-interest bearing and there is no repayment schedule. Repayment of the advance will be made as future tax increment funds become available for the South San Fernando Project Area

192

The City and Agency entered into a cooperation agreement through which the City agreed to advance funds to the City Centre project necessary for payments on a disposition and development agreement between the Agency and a developer. Interest on the advances accumulates at an annual rate of 6% and there is no repayment schedule. Repayment of the advances and interest will be made as future tax increment funds become available for the City Centre Project Area

5,182

Total advances from City

81,998

# REDEVELOPMENT AGENCY OF THE CITY OF BURBANK

## Notes to General Purpose Financial Statements

June 30, 2001

(Amounts expressed in thousands)

### Advances from Redevelopment Projects

In August 1983, the Redevelopment Agency City Centre Project and Redevelopment Agency Golden State Project entered into a cooperation agreement whereby the Golden State Project would advance the City Centre Project funds necessary for land acquisition and related expenses. The advances are non-interest bearing and have no repayment schedule. Repayment of the advance will be made as future tax increment become available	\$	15,412
From 1978 through 1982, the Redevelopment Agency West Olive Project entered into agreements wherein the Golden State Project loaned funds aggregating \$750 to the West Olive Project. These agreements are non-interest bearing. Repayment of the principal will be made as future tax increment become available		750
In October 1991, the Agency passed Resolution No. R-1637 for the advance of \$1,338 in Golden State Land Sale proceeds and \$1,530 in West Olive Land Sale proceeds to the City Centre Project Area. The advances are non-interest bearing and will be repaid as future tax increment become available		2,868
In 1998, the Agency Golden Gate State Project advanced \$329 to the South San Fernando project area. The advance is non-interest bearing and shall be repaid as future tax increment becomes available		329
During the year ended June 30, 1998, the Agency's Golden State Capital Project Fund advanced \$282 to the South San Fernando Project Area Capital Project Fund. The advance is non-interest bearing and there is no repayment schedule. Repayment of the advance will be made as future tax increment funds become available for the South San Fernando Project Area		<u>282</u>
Total advances from Redevelopment projects		<u>19,641</u>
Total advances payable	\$	<u>101,639</u>



# REDEVELOPMENT AGENCY OF THE CITY OF BURBANK

## Notes to General Purpose Financial Statements

June 30, 2001

(Amounts expressed in thousands)

### (b) Notes Payable

Notes payable are comprised of the following individual notes:

Center Trust – This \$18,500 note evidences the unsecured obligation of the Agency to Center Trust for the cost of the parking and related common area facilities of the Media City Centre Mall (see note 6 for additional information related to such facilities). The loan bears interest at the rate in effect on the Center Trust's primary construction or permanent loan on the Phase I Regional Center, as defined in the Disposition and Development Agreement (DDA) between Center Trust and the Agency. The loan shall be paid in semiannual installments of principal and interest, compounded monthly, on February 1 and August 1 of each calendar year until February 1, 2016. Any unpaid balance as of February 1, 2016 shall be forgiven. Such semiannual payments shall equal 70% of the Project Increment of the Phase I Mall as defined in the DDA

\$ 18,500

Center Trust – This \$33,000 note evidences the unsecured obligation of the Agency to Center Trust for the cost of the Bullock's Building in the Media City Centre Mall which was purchased by the Agency from the developer (see note 6). The opening of the Bullock's store in September 1992 was determined to be the date the Agency incurred the liability. The note bears interest at a variable rate equal to Center Trust's construction or permanent loan interest rate. Principal and interest payments are due semiannually on February 1 and August 1 of each year. However, annual payments by the Agency on the note are restricted to 80% of the property tax increment generated from Bullock's and the Mall Expansion (as defined) plus 10% of the property tax increment of the Phase I Mall plus the City's portion of sales tax revenue from Bullock's and Mall Expansion sales activity. The Agency has no obligation to pay amounts in excess of these items. The Agency receives a credit against the semiannual installments on the note equal to the greater of \$1,300 or the rent paid by Bullock's to Center Trust under the sublease between Bullock's and Center Trust. The note matures on August 1, 2016. Any unpaid balance as of this date is intended to be forgiven

33,000

Total notes payable

\$ 51,500

# REDEVELOPMENT AGENCY OF THE CITY OF BURBANK

## Notes to General Purpose Financial Statements

June 30, 2001

(Amounts expressed in thousands)

**(c) Tax Allocation Bonds Payable**

Tax allocation bonds payable are comprised of the following individual issues:

\$69,000 Golden State Redevelopment Project Tax Allocation Bonds, 1993, Series A, due in annual installments from \$410 to \$4,655 through December 1, 2024. Interest at various rates ranging from 2.75% to 6.25% is payable semiannually on June 1 and December 1. These bonds are collateralized by a first pledge of the incremental tax revenues to be received by the project. The bonds were issued for the purpose of providing funds for (i) the acquisition and construction of various projects, (ii) the advance refunding of the Agency's outstanding Golden State Redevelopment Project First Lien Tax Allocation Bonds, 1985, Series A and (iii) the advance refunding of the Agency's outstanding Golden State Redevelopment Project Second Lien Refunding Tax Allocation Bonds, 1985 Series A	\$	61,485
\$23,945 City Centre Redevelopment Project Tax Allocation Bonds, 1993, Series A, due in annual installments from \$85 to \$1,665 through December 1, 2023. Interest at various rates ranging from 2.5% to 5.50% is payable semiannually on June 1 and December 1. These bonds are collateralized by a first pledge of the incremental tax revenues to be received by the project. The bonds were issued for the purpose of providing funds for (i) the acquisition and construction of various projects and (ii) the partial advance refunding of the Agency's outstanding City Centre Redevelopment Project Tax Allocation Bonds, 1990, Series A		22,305
\$13,295 West Olive Redevelopment Project Tax Allocation Bonds of 1994, serial bonds, due in annual installments ranging from \$1,620 to \$2,235 through December 1, 2001. Interest at various rates ranging from 4.6% through 6.5% is payable semiannually June 1 and December 1. These bonds are collateralized by a first pledge of the incremental tax revenues to be received by the project. Bonds are callable prior to maturity. The bonds were issued to refund the outstanding West Olive Redevelopment Project Tax Allocation Bonds, 1983 Series		2,235
Total tax allocation bonds payable	\$	<u>86,025</u>

# REDEVELOPMENT AGENCY OF THE CITY OF BURBANK

## Notes to General Purpose Financial Statements

June 30, 2001

(Amounts expressed in thousands)

The annual requirements to amortize all bonded debt outstanding as of June 30, 2001, including interest of \$70,230 and principal of \$86,025, are as follows:

Year ending June 30:		
2002	\$	9,007
2003		6,693
2004		6,690
2005		6,588
2006		6,588
Thereafter		<u>120,689</u>
Total		156,255
Less portion representing interest		
		<u>70,230</u>
Principal	\$	<u>86,025</u>

**(d) Contract Payable**

In the prior year the Agency had a contract payable of \$3,000 related to a 1998 cooperation agreement with the City and the Burbank Unified School District (BUSD). The cooperation agreement was for the purchase of land to be used for a new library. This \$3,000 contract payable was paid in full in the current year.

**(e) Prior Year Bond Defeasance**

In prior years, various bonds were defeased by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the related liabilities for these defeased bonds are not reflected in the Agency's general purpose financial statements. At June 30, 2001, the following bonds were considered defeased:

	<b>Remaining outstanding principal balance</b>
1978 Series A Golden State Bonds	\$ 3,770
1978 Series B Golden State Bonds	9,045
1985 Golden State Bonds - 2 <sup>nd</sup> Lien	<u>6,505</u>

# **REDEVELOPMENT AGENCY OF THE CITY OF BURBANK**

## **Notes to General Purpose Financial Statements**

June 30, 2001

(Amounts expressed in thousands)

### **(4) Individual Fund Transactions and Disclosures**

For the year ended June 30, 2001, the West Olive Project Area Debt Service Fund had expenditures exceeding appropriations by \$180 and the South San Fernando Project Area Debt Service Fund had expenditures exceeding appropriation by \$80.

### **(5) Retirement Plan**

The Agency, as part of the City, contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer PERS that acts as a common investment and administrative agent for cities in California. The Agency assumes its share of pension costs based upon rates established by PERS for the City's general employees. No separate pension benefit obligation is calculated for the Agency; accordingly, no obligation is presented herein.

Further information regarding the City's participation in PERS may be found in the City's Comprehensive Annual Financial Report.

### **(6) Commitments and Contingencies**

#### **(a) Media City Centre Mall**

The Agency owns land and buildings that are part of the Media City Centre Mall. The Agency purchased the Bullock's store for \$33,000 and a parking structure and related common area facilities for \$18,500 from the mall developer. Such purchases were 100% financed by the developer, and as more fully described in note 3b, the debt service payments by the Agency and the mall developer are based on a formula, with any unpaid principal and interest at maturity in 2016 to be forgiven.

#### **(b) Litigation**

The Agency management believes, based upon consultation with the City Attorney, that any litigation, in the aggregate, is not expected to result in a material adverse financial impact to the Agency. Agency management believes that should an unfavorable outcome occur, funds will be available to cover such losses.

### **(7) Property Tax Allocation**

The Agency's primary sources of revenue, other than bond proceeds and loans and advances from the City, come from property taxes. Property taxes allocated to the Agency are to be used solely to repay debt and are computed in the following manner:

- a. The assessed valuation of all property within the project area is determined on the date of adoption of the Redevelopment Plan.
- b. Property taxes related to the incremental increase in assessed values after the adoption of the Redevelopment Plan are allocated to the Agency; all taxes on the "frozen" assessed valuation of the property are allocated to the City of Burbank and other districts. A portion of the incremental increase is allocated to other affected agencies.

# REDEVELOPMENT AGENCY OF THE CITY OF BURBANK

## Notes to General Purpose Financial Statements

June 30, 2001

(Amounts expressed in thousands)

The Agency has no power to levy and collect taxes and any legislative property tax deemphasis might reduce the amount of property tax revenues that would otherwise be available to pay principal and interest on the debt. Broadened property tax exemptions could have a similar effect. Conversely, any increase in the tax rate or assessed valuation, or any reduction or elimination of present exemptions would increase the amount of tax revenues that would be available to pay principal and interest on debt.

### (8) Self-Insurance

In conjunction with the City, the Agency is self-insured for the first \$1,000 of general liability claims and for the first \$500 of workers' compensation claims. Information pertaining to the amounts accrued for claims payable including both reported claims and claims incurred but not reported is not available at the Agency level, but may be found in the City's Comprehensive Annual Financial Report.

### (9) Land Held for Resale

As of June 30, 2001, land held for resale consists of the following:

Golden State Redevelopment Project Area	\$	825
City Centre Redevelopment Project Area		8,083
West Olive Redevelopment Project Area		1,830
Low- and Moderate-Income Housing Fund		<u>5,179</u>
	\$	<u>15,917</u>

### (10) General Fixed Assets

At June 30, 2001, the balance of the Agency's general fixed assets totaled \$51,985, which represents land and buildings at the Media City Centre Mall (see note 6a). For the year ended June 30, 2001, there was \$37 of additions to building and improvements in the Agency's general fixed assets.

# REDEVELOPMENT AGENCY OF THE CITY OF BURBANK

## Notes to General Purpose Financial Statements

June 30, 2001

(Amounts expressed in thousands)

### (11) Conduit Debt

The Agency has issued special bonds listed below that are payable solely out of revenues derived from the various projects financed by the bonds. Neither the faith and credit nor the taxing power of the City or the Agency is pledged to the payment of the principal of, or interest on, any bond, nor is the City or the Agency in any manner obligated to make any appropriation for payment therefore.

#### **\$36,000 Multifamily Housing Revenue Bonds, 1985 Issue A**

The bonds were issued to fund construction of an apartment complex consisting of 400 units. A minimum of 20% of these units are to be reserved for occupancy by low- or moderate-income families for a period of ten years. This project is located in the City Centre redevelopment project area. The bonds are collateralized by various securities

\$ 35,000

#### **\$5,000 Multifamily Housing Revenue Bonds, 1996, Series A**

The bonds were issued to fund construction of an affordable senior citizen residential project, with a minimum of 20% of these units to be reserved for occupancy by low- or moderate-income tenants. This project is located in the City Centre redevelopment project area. The bonds are collateralized by a letter of credit between the developer and East-West Federal Bank

4,920

Total conduit debt outstanding

\$ 39,920

**REDEVELOPMENT AGENCY OF THE CITY OF BURBANK****Combining Balance Sheet –  
All Capital Projects Funds****June 30, 2001****(Amounts expressed in thousands)**

	<b>Assets</b>	<b>Golden State project area</b>	<b>City Centre project area</b>
Cash and investments		\$ 7,936	—
Accounts receivable		13	2
Interest receivable		67	—
Notes receivable		4,940	—
Intergovernmental receivable		632	—
Land held for resale		825	8,083
Advances to other funds		18,111	—
Total assets		<u>\$ 32,524</u>	<u>8,085</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable		\$ 123	170
Interfund payable		1	1,364
Deferred revenue		632	—
Total liabilities		<u>756</u>	<u>1,534</u>
Fund balances:			
Reserved for encumbrances		166	—
Reserved for notes receivable		4,940	—
Reserved for land held for resale		825	8,083
Reserved for advances to other funds		18,111	—
Designated for capital improvements		7,726	—
Undesignated (deficit)		—	(1,532)
Total fund balances		<u>31,768</u>	<u>6,551</u>
Total liabilities and fund balances		<u>\$ 32,524</u>	<u>8,085</u>

See accompanying independent auditors' report.

<b>West Olive project area</b>	<b>South San Fernando project area</b>	<b>Low and moderate income housing fund</b>	<b>Totals</b>
936	1,014	16,447	26,333
—	—	—	15
14	1	170	252
—	—	2,939	7,879
—	—	—	632
1,830	—	5,179	15,917
1,530	—	—	19,641
<b>4,310</b>	<b>1,015</b>	<b>24,735</b>	<b>70,669</b>
3	5	84	385
—	—	3	1,368
—	—	1,830	2,462
<b>3</b>	<b>5</b>	<b>1,917</b>	<b>4,215</b>
31	90	149	436
—	—	2,939	7,879
1,830	—	5,179	15,917
1,530	—	—	19,641
916	920	14,551	24,113
—	—	—	(1,532)
<b>4,307</b>	<b>1,010</b>	<b>22,818</b>	<b>66,454</b>
<b>4,310</b>	<b>1,015</b>	<b>24,735</b>	<b>70,669</b>



**REDEVELOPMENT AGENCY OF THE CITY OF BURBANK****Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances – All Capital Projects Funds****Year ended June 30, 2001****(Amounts expressed in thousands)**

	<b><u>Golden state project area</u></b>	<b><u>City Centre project area</u></b>
<b>Revenues:</b>		
Use of money or property	\$ 1,209	333
Charges for services	187	8
Total revenues	<u>1,396</u>	<u>341</u>
<b>Expenditures:</b>		
General government – administrative services	1,783	748
Capital outlay – general capital improvements	5,167	6,880
Total expenditures	<u>6,950</u>	<u>7,628</u>
Excess (deficiency) of revenues over expenditures	<u>(5,554)</u>	<u>(7,287)</u>
<b>Other financing sources (uses):</b>		
Operating transfers in	4,043	451
Operating transfers out	(13,815)	—
Total other financing sources (uses)	<u>(9,772)</u>	<u>451</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(15,326)</u>	<u>(6,836)</u>
Fund balances, July 1, 2000	<u>47,094</u>	<u>13,387</u>
Fund balances, June 30, 2001	<u><u>\$ 31,768</u></u>	<u><u>6,551</u></u>

See accompanying independent auditors' report.

<b>West Olive project area</b>	<b>South San Fernando project area</b>	<b>Low and moderate income housing fund</b>	<b>Totals</b>
247	27	1,419	3,235
14	—	170	379
261	27	1,589	3,614
215	119	2,386	5,251
—	—	1,115	13,162
215	119	3,501	18,413
46	(92)	(1,912)	(14,799)
—	948	5,149	10,591
(79)	—	—	(13,894)
(79)	948	5,149	(3,303)
(33)	856	3,237	(18,102)
4,340	154	19,581	84,556
4,307	1,010	22,818	66,454

**REDEVELOPMENT AGENCY OF THE CITY OF BURBANK****Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances – Budget and Actual –  
Golden State Project Area Capital Projects Fund**

Year ended June 30, 2001

(Amounts expressed in thousands)

	<b>Appropriated budget</b>	<b>Actual</b>	<b>Variance favorable (unfavorable)</b>
<b>Revenues:</b>			
Use of money or property	\$ 2,282	1,209	(1,073)
Charges for services	66	187	121
Total revenues	<u>2,348</u>	<u>1,396</u>	<u>(952)</u>
<b>Expenditures:</b>			
General government – administrative services	2,195	1,783	412
Capital outlay – general capital improvements	8,759	5,167	3,592
Total expenditures	<u>10,954</u>	<u>6,950</u>	<u>4,004</u>
Deficiency of revenues over expenditures	<u>(8,606)</u>	<u>(5,554)</u>	<u>3,052</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	—	4,043	4,043
Operating transfers out	(15,497)	(13,815)	1,682
Total other financing uses	<u>(15,497)</u>	<u>(9,772)</u>	<u>5,725</u>
Deficiency of revenues over expenditures	<u>(24,103)</u>	<u>(15,326)</u>	<u>8,777</u>
Fund balance, July 1, 2000	<u>47,094</u>	<u>47,094</u>	<u>—</u>
Fund balance, June 30, 2001	<u>\$ 22,991</u>	<u>31,768</u>	<u>8,777</u>

See accompanying independent auditors' report.

# REDEVELOPMENT AGENCY OF THE CITY OF BURBANK

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – City Centre Project Area Capital Projects Fund

Year ended June 30, 2001

(Amounts expressed in thousands)

	<u>Appropriated budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>Revenues:</b>			
Use of money or property	\$ 514	333	(181)
Charges for services	—	8	8
Total revenues	<u>514</u>	<u>341</u>	<u>(173)</u>
<b>Expenditures:</b>			
General government – administrative services	1,108	748	360
Capital outlay – general capital improvements	9,382	6,880	2,502
Total expenditures	<u>10,490</u>	<u>7,628</u>	<u>2,862</u>
Deficiency of revenues over expenditures	<u>(9,976)</u>	<u>(7,287)</u>	<u>2,689</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	2,098	451	(1,647)
Operating transfers out	(317)	—	317
Total other financing sources (uses)	<u>1,781</u>	<u>451</u>	<u>(1,330)</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses	<u>(8,195)</u>	<u>(6,836)</u>	<u>1,359</u>
Fund balance, July 1, 2000	<u>13,387</u>	<u>13,387</u>	<u>—</u>
Fund balance, June 30, 2001	<u><u>\$ 5,192</u></u>	<u><u>6,551</u></u>	<u><u>1,359</u></u>

See accompanying independent auditors' report.

**REDEVELOPMENT AGENCY OF THE CITY OF BURBANK****Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances – Budget and Actual –  
West Olive Project Area Capital Projects Fund****Year ended June 30, 2001****(Amounts expressed in thousands)**

	<b>Appropriated budget</b>	<b>Actual</b>	<b>Variance favorable (unfavorable)</b>
<b>Revenues:</b>			
Use of money or property	\$ 1,166	247	(919)
Charges for services	—	14	14
Total revenues	<u>1,166</u>	<u>261</u>	<u>(905)</u>
<b>Expenditures:</b>			
General government – administrative services	293	215	78
Capital outlay – general capital improvements	700	—	700
Total expenditures	<u>993</u>	<u>215</u>	<u>778</u>
Excess of revenues over expenditures	173	46	(127)
Other financing uses – operating transfers out	<u>(1,204)</u>	<u>(79)</u>	<u>1,125</u>
Deficiency of revenues over expenditures and other financing uses	(1,031)	(33)	998
Fund balance, July 1, 2000	<u>4,340</u>	<u>4,340</u>	<u>—</u>
Fund balance, June 30, 2001	<u>\$ 3,309</u>	<u>4,307</u>	<u>998</u>

See accompanying independent auditors' report.

**REDEVELOPMENT AGENCY OF THE CITY OF BURBANK****Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances – Budget and Actual –  
South San Fernando Project Area Capital Projects Fund****Year ended June 30, 2001****(Amounts expressed in thousands)**

	<b>Appropriated budget</b>	<b>Actual</b>	<b>Variance favorable (unfavorable)</b>
Revenues – use of money or property	\$ 13	27	14
Expenditures:			
General government – administrative services	292	119	173
Capital outlay – general capital improvements	73	—	73
Total expenditures	365	119	246
Deficiency of revenues over expenditures	(352)	(92)	260
Other financing sources – operating transfers in	265	948	683
Excess (deficiency) of revenues and other financing sources over expenditures	(87)	856	943
Fund balance, July 1, 2000	154	154	—
Fund balance, June 30, 2001	\$ 67	1,010	943

See accompanying independent auditors' report.

**REDEVELOPMENT AGENCY OF THE CITY OF BURBANK****Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances – Budget and Actual –  
Low and Moderate Income Housing Capital Projects Fund****Year ended June 30, 2001****(Amounts expressed in thousands)**

	<b>Appropriated budget</b>	<b>Actual</b>	<b>Variance favorable (unfavorable)</b>
<b>Revenues:</b>			
Use of money or property	\$ 514	1,419	905
Charges for services	—	170	170
<b>Total revenues</b>	<b>514</b>	<b>1,589</b>	<b>1,075</b>
<b>Expenditures:</b>			
General government – administrative services	6,781	2,386	4,395
Capital outlay – general capital improvements	6,491	1,115	5,376
<b>Total expenditures</b>	<b>13,272</b>	<b>3,501</b>	<b>9,771</b>
Deficiency of revenues over expenditures	(12,758)	(1,912)	10,846
Other financing sources – operating transfers in	3,899	5,149	1,250
Excess (deficiency) of revenues and other financing sources over expenditures	(8,859)	3,237	12,096
Fund balance, July 1, 2000	19,581	19,581	—
Fund balance, June 30, 2001	\$ 10,722	22,818	12,096

See accompanying independent auditors' report.

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**REDEVELOPMENT AGENCY OF THE CITY OF BURBANK**

**Combining Balance Sheet  
All Debt Service Funds**

**June 30, 2001**

**(Amounts expressed in thousands)**

<b>Assets</b>	<b>Golden State project area</b>	<b>City Centre project area</b>
Cash and investments	\$ 4,688	1,832
Interest receivable	108	36
Taxes receivable	231	—
Interfund receivable	86	1,331
Prepaid items and deposits	—	—
<b>Total assets</b>	<b>\$ 5,113</b>	<b>3,199</b>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 10	1,326
Interfund payable	—	—
<b>Total liabilities</b>	<b>10</b>	<b>1,326</b>
<b>Fund balances – reserved for debt service</b>	<b>5,103</b>	<b>1,873</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,113</b>	<b>3,199</b>

See accompanying independent auditors' report.

<b>West Olive project area</b>	<b>South San Fernando project area</b>	<b>Totals</b>
3,516	174	10,210
30	16	190
632	—	863
—	—	1,417
201	—	201
<u>4,379</u>	<u>190</u>	<u>12,881</u>
375	179	1,890
86	—	86
<u>461</u>	<u>179</u>	<u>1,976</u>
<u>3,918</u>	<u>11</u>	<u>10,905</u>
<u>4,379</u>	<u>190</u>	<u>12,881</u>

**REDEVELOPMENT AGENCY OF THE CITY OF BURBANK****Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances – All Debt Service Funds**

Year ended June 30, 2001

(Amounts expressed in thousands)

	<u>Golden State project area</u>	<u>City Centre project area</u>
Revenues:		
Property tax allocation	\$ 13,416	5,333
Use of money or property	509	233
Total revenues	<u>13,925</u>	<u>5,566</u>
Expenditures:		
Principal retirement	1,250	515
Interest and financing charges	<u>6,502</u>	<u>4,203</u>
Total expenditures	<u>7,752</u>	<u>4,718</u>
Excess of revenues over expenditures	<u>6,173</u>	<u>848</u>
Other financing sources (uses):		
Operating transfers in	—	—
Advance from City	—	475
Operating transfers out	<u>(6,894)</u>	<u>(1,620)</u>
Total other financing sources (uses)	<u>(6,894)</u>	<u>(1,145)</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses	(721)	(297)
Fund balances, July 1, 2000	<u>5,824</u>	<u>2,170</u>
Fund balances, June 30, 2001	<u>\$ 5,103</u>	<u>1,873</u>

See accompanying independent auditors' report.

<b>West Olive project area</b>	<b>South San Fernando project area</b>	<b>Totals</b>
6,153	841	25,743
204	58	1,004
6,357	899	26,747
2,100	—	3,865
3,545	178	14,428
5,645	178	18,293
712	721	8,454
79	—	79
—	—	475
(1,255)	(1,116)	(10,885)
(1,176)	(1,116)	(10,331)
(464)	(395)	(1,877)
4,382	406	12,782
3,918	11	10,905

# REDEVELOPMENT AGENCY OF THE CITY OF BURBANK

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Golden State Project Area – Debt Service Fund

Year ended June 30, 2001

(Amounts expressed in thousands)

	<u>Appropriated budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>Revenues:</b>			
Property tax allocation	\$ 11,878	13,416	1,538
Use of money or property	275	509	234
Total revenues	<u>12,153</u>	<u>13,925</u>	<u>1,772</u>
<b>Expenditures:</b>			
Principal retirement	1,250	1,250	—
Interest and financing charges	<u>7,248</u>	<u>6,502</u>	<u>746</u>
Total expenditures	<u>8,498</u>	<u>7,752</u>	<u>746</u>
Excess of revenues over expenditures	<u>3,655</u>	<u>6,173</u>	<u>2,518</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	409	—	(409)
Operating transfers out	<u>(1,914)</u>	<u>(6,894)</u>	<u>(4,980)</u>
Total other financing sources (uses)	<u>(1,505)</u>	<u>(6,894)</u>	<u>(5,389)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	2,150	(721)	(2,871)
Fund balances, July 1, 2000	<u>5,824</u>	<u>5,824</u>	<u>—</u>
Fund balances, June 30, 2001	<u>\$ 7,974</u>	<u>5,103</u>	<u>(2,871)</u>

See accompanying independent auditors' report.

# REDEVELOPMENT AGENCY OF THE CITY OF BURBANK

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – City Centre Project Area – Debt Service Fund

Year ended June 30, 2001

(Amounts expressed in thousands)

	Appropriated budget	Actual	Variance favorable (unfavorable)
Revenues:			
Property tax allocation	\$ 5,349	5,333	(16)
Use of money or property	97	233	136
Total revenues	5,446	5,566	120
Expenditures:			
Principal retirement	515	515	—
Interest and financing charges	4,252	4,203	49
Total expenditures	4,767	4,718	49
Excess of revenues over expenditures	679	848	169
Other financing sources (uses):			
Advance from City	475	475	—
Operating transfers out	(1,164)	(1,620)	(456)
Total other financing uses	(689)	(1,145)	(456)
Deficiency of revenues and other financing sources over expenditures and other financing uses	(10)	(297)	(287)
Fund balances, July 1, 2000	2,170	2,170	—
Fund balances, June 30, 2001	\$ 2,160	1,873	(287)

See accompanying independent auditors' report.

**REDEVELOPMENT AGENCY OF THE CITY OF BURBANK****Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances – Budget and Actual –  
West Olive Project Area – Debt Service Fund****Year ended June 30, 2001****(Amounts expressed in thousands)**

	<b>Appropriated budget</b>	<b>Actual</b>	<b>Variance favorable (unfavorable)</b>
<b>Revenues:</b>			
Property tax allocation	\$ 4,423	6,153	1,730
Use of money or property	80	204	124
Total revenues	4,503	6,357	1,854
<b>Expenditures:</b>			
Principal retirement	2,100	2,100	—
Interest and financing charges	3,365	3,545	(180)
Total expenditures	5,465	5,645	(180)
Excess (deficiency) of revenues over expenditures	(962)	712	1,674
<b>Other financing sources (uses):</b>			
Operating transfers in	1,204	79	(1,125)
Operating transfers out	(918)	(1,255)	(337)
Total other financing sources (uses)	286	(1,176)	(1,462)
Deficiency of revenues and other financing sources over expenditures and other financing uses	(676)	(464)	212
Fund balances, July 1, 2000	4,382	4,382	—
Fund balances, June 30, 2001	\$ 3,706	3,918	212

See accompanying independent auditors' report.

**REDEVELOPMENT AGENCY OF THE CITY OF BURBANK****Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances – Budget and Actual –  
South San Fernando Project Area – Debt Service Fund****Year ended June 30, 2001****(Amounts expressed in thousands)**

	<b>Appropriated budget</b>	<b>Actual</b>	<b>Variance favorable (unfavorable)</b>
Revenues:			
Property tax allocation	\$ 416	841	425
Use of money or property	—	58	58
Total revenues	416	899	483
Expenditures – interest and financing charges	98	178	(80)
Excess of revenues over expenditures	318	721	403
Other financing uses – operating transfers out	(378)	(1,116)	(738)
Deficiency of revenues over expenditures and other financing uses	(60)	(395)	(335)
Fund balances, July 1, 2000	406	406	—
Fund balances, June 30, 2001	\$ 346	11	(335)

See accompanying independent auditors' report.







355 South Grand Avenue  
Suite 2000  
Los Angeles, CA 90071-1568

**Report on Compliance and on Internal Control Over  
Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

The Board of Directors  
Redevelopment Agency of the City of Burbank  
Burbank, California:

We have audited the general purpose financial statements of the Redevelopment Agency of the City of Burbank (a component unit of the City of Burbank, California) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 13, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the general purpose financial statements of the Redevelopment Agency of the City of Burbank are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Redevelopment Agency of the City of Burbank's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be



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material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Agency's management, the Board of Directors and the State Controller and is not intended to be and should not be used by anyone other than those specified parties.

KPMG LLP

December 13, 2001

## APPENDIX D

### FORM OF FINAL OPINION OF BOND COUNSEL

[Closing Date]

Burbank Public Financing Authority  
275 East Olive Avenue  
Burbank, California 91502

OPINION:       \$14,000,000 Burbank Public Financing Authority Revenue Bonds, 2002 Series A  
(Redevelopment Agency of the City of Burbank-West Olive Redevelopment Project)

---

#### Members of the Authority:

We have acted as bond counsel in connection with the delivery by the Burbank Public Financing Authority (the "Authority") of \$14,000,000 aggregate principal amount of the bonds of the Authority designated the "Burbank Public Financing Authority Revenue Bonds, 2002 Series A (Redevelopment Agency of the City of Burbank-West Olive Redevelopment Project)" (the "Bonds"), pursuant to the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Law"), and pursuant to an indenture of trust, dated as of October 1, 2002 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, and a resolution of the governing board of the Authority adopted on July 23, 2002. The Bonds are secured by Revenues as defined in the Indenture, including certain loan payments made by the Redevelopment Agency of the City of Burbank (the "Agency") under a loan agreement, dated as of October 1, 2002 (the "Loan Agreement"), by and among the Authority, the Agency and the Trustee. We have examined the Law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority and the Agency contained in the Indenture, the Loan Agreement and in the certified proceedings, and upon other certifications furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination we are of the opinion, under existing law, that:

1. The Authority is a joint exercise of powers agency and public entity duly organized and existing under the laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.
2. The Bonds constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms and payable solely from the sources provided therefor in the Indenture.
3. The Indenture has been duly approved by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.
4. The Indenture establishes a valid first and exclusive lien on and pledge of the Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture.
5. The Agency is a public body corporate and politic, duly organized and existing under the laws of the State of California, with power to enter into the Loan Agreement and to perform the agreements on its part contained

therein. The Loan Agreement has been duly approved by the Agency and constitutes the legal, valid and binding obligation of the Agency enforceable against the Agency in accordance with its terms.

6. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

7. Interest on the Bonds is exempt from California personal income taxation.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Loan Agreement may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the REDEVELOPMENT AGENCY OF THE CITY OF BURBANK (the "Agency") in connection with the issuance of \$14,000,000 aggregate principal amount of Burbank Public Financing Authority Revenue Bonds, 2002 Series A (Redevelopment Agency of the City of Burbank-West Olive Redevelopment Project) (the "Bonds"). The Bonds are being issued pursuant to an indenture of trust, dated as of October 1, 2002 (the "Indenture"), by and between the Burbank Public Financing Authority (the "Authority") and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean Wells Fargo Bank, National Association, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"Loan Agreement" shall mean that certain Loan Agreement, dated as of October 1, 2002, by and among the Authority, the Agency and the Trustee.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The Agency shall, or upon written direction shall cause the Dissemination Agent to, not later than seven months (January 31) after the end of the Agency's fiscal year (June 30), commencing with the report for the 2001-2002 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this

Disclosure Certificate with a copy to the Trustee. Not later than fifteen (15) Business Days prior to said date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Agency's fiscal year changes, it shall give notice of such change to the Municipal Securities Rulemaking Board and each State Repository with a copy to the Trustee. The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Agency hereunder. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the Agency is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Agency shall send a notice to the Municipal Securities Rulemaking Board and each State Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) if the Dissemination Agent is other than the Agency, file a report with the Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Agency's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the Agency for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Bonds:

- (i) Information concerning assessed valuations of properties within the Agency's West Olive Redevelopment Project Area (the "Project Area");
- (ii) Tax Revenues allocated to the Agency from the Project Area;
- (iii) Ten largest assesseees in the Project Area; and
- (iv) Historical debt service coverage of the Bonds provided by the Tax Revenues.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Agency shall clearly identify each such other document so included by reference.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Agency shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (vii) Modifications to rights of security holders.
- (viii) Contingent or unscheduled bond calls.
- (ix) Defeasances.
- (x) Release, substitution, or sale of property securing repayment of the securities.
- (xi) Rating changes.

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository with a copy to the Trustee. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Agency's obligations under the Loan Agreement, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Wells Fargo Bank, National Association. Any Dissemination Agent may resign by providing thirty days' written notice to the Agency and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a) or 4, it may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and



(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

**Section 9. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 10. Default.** In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate the Trustee, at the written direction of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent moneys or other indemnity, satisfactory to the Trustee, has been furnished to the Trustee to hold it harmless from any loss, costs, liability or expense, including fees and expenses of its attorneys and any additional fees of the Trustee, or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

**Section 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to them by the Agency and shall not be deemed to be acting in any fiduciary capacity for the Agency, the Bond holders or any other party. The obligations of the Agency under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

REDEVELOPMENT AGENCY OF THE CITY OF  
BURBANK

By \_\_\_\_\_  
Executive Director

ACKNOWLEDGED:

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Dissemination Agent

By \_\_\_\_\_  
Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD AND EACH STATE REPOSITORY OF  
FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Burbank Public Financing Authority

Name of Issue: Burbank Public Financing Authority Revenue Bonds, 2002 Series A (Redevelopment  
Agency of the City of Burbank-West Olive Redevelopment Project)

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Redevelopment Agency of the City of Burbank (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by (a) Section 4.17 of that certain Loan Agreement, dated as of October 1, 2002, by and among the Issuer, the Agency and Wells Fargo Bank, National Association, as trustee. The Agency anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

REDEVELOPMENT AGENCY OF THE CITY OF  
BURBANK

By \_\_\_\_\_  
Title \_\_\_\_\_

cc: Trustee

## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix F has been provided by The Depository Trust Company ("DTC"), New York, NY, for use in securities offering documents, and neither the Authority nor the Agency take responsibility for the accuracy or completeness thereof. The Authority and the Agency cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.*

1. DTC will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede &

Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or the paying agent or bond trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer or the paying agent or bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the issuer or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

## APPENDIX G

### SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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**Financial Guaranty Insurance Policy**

Obligor

Policy Number

Obligations

Premium

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy hereby agrees to pay to The Bank of New York, as trustee, or its successor (the Insurance Trustee), for the benefit of the Holders that portion of the principal of and interest on the above-described obligations (the Obligations) which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

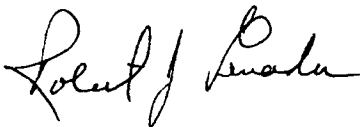
In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and therefore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

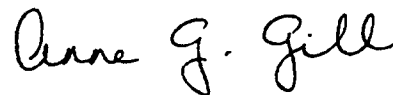
As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity, and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President



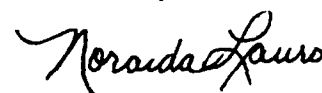
Secretary

Effective Date

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No 2B-0012 (1/01)



Authorized Officer of Insurance Trustee



## Endorsement

Policy for

Attached to and forming part of Policy No

Effective Date of Endorsement

In the event that Ambac Assurance Corporation were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative

### Ambac Assurance Corporation



President



Secretary

Authorized Representative